To forgive outstanding Federal and private student loans.

IN THE HOUSE OF REPRESENTATIVES

Ms. Omar introduced the following bill; which was referred to the Committee on

A BILL

To forgive outstanding Federal and private student loans.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Student Debt Cancellation Act of 2019”.

SEC. 2. FORGIVENESS OF OUTSTANDING FEDERAL STUDENT LOANS.

(a) FORGIVENESS REQUIRED.—Notwithstanding any other provision of law, not later than 180 days after the date of the enactment of this Act, the Secretary of Edu-
cation shall forgive the outstanding balance of interest and
principal due on all eligible Federal student loans.

(b) Definition of Eligible Federal Student Loan.—In this Act, the term “eligible Federal student loan” means any loan made, insured, or guaranteed under part B, part D, or part E of title IV of the Higher Education Act of 1965 before the date of enactment of this Act, including—

(1) loans made to a parent borrower on behalf of a dependent student under part B or part D of such Act;

(2) consolidation loans made under such Act;

and

(3) any grant treated as a loan under such part D in accordance with section 258(e), section 420M(c), or section 807(d) of such Act.

(c) Method of Loan Forgiveness.—To provide the loan forgiveness required under subsection (a), the Secretary of Education is authorized to carry out a program—

(1) through the holder of a loan, to assume the obligation to repay the outstanding balance of interest and principal due on loans made, insured, or guaranteed under part B of title IV of the Higher
Education Act of 1965 (20 U.S.C. 1071 et seq.); and

(2) to cancel the outstanding balance of interest and principal due on loans made under part D or part E of such title.

(d) Repayment Refunds.—

(1) Prior Repayment.—Nothing in this section shall be construed to authorize any refunding of any eligible Federal student loan repayment made before the date of enactment of this Act.

(2) Payments Made After Enactment.—

The Secretary shall refund to each borrower who receives forgiveness under this section the amount of any payments the borrower makes on an eligible Federal student loan during the period beginning on the date of the enactment of this Act and ending on the date on which the Secretary forgives the outstanding balance of such eligible Federal student loan.

(e) Exclusion From Taxable Income.—The amount of a borrower’s eligible Federal student loans forgiven under this section, and the amount of any repayments to a borrower under subsection (d)(2), shall not be included in the gross income of the borrower for purposes of the Internal Revenue Code of 1986.
SEC. 3. PURCHASE AND FORGIVENESS OF OUTSTANDING PRIVATE STUDENT LOANS.

(a) IN GENERAL.—Part D of title IV of the Higher Education Act of 1965 (20 U.S.C. 1087a et seq.) is amended by inserting after section 459B the following:

"SEC. 459C. TEMPORARY AUTHORITY TO PURCHASE AND FORGIVE ELIGIBLE PRIVATE STUDENT LOANS.

"(a) PRIVATE EDUCATION LOAN PURCHASE AND FORGIVENESS.— Notwithstanding any other provision of law, not later than 180 days after the date of enactment of the Student Debt Cancellation Act of 2019, the Secretary, in consultation with the Secretary of the Treasury, shall carry out a program under which the Secretary shall purchase, and then forgive, the outstanding balance of interest and principal due on eligible private student loans.

"(b) DEFINITIONS.—In this section:

"(1) ELIGIBLE PRIVATE STUDENT LOAN.—In this section, the term ‘eligible private student loan’ means a private education loan, as defined in section 140(a) of the Truth in Lending Act (15 U.S.C. 1650(a)), that was expressly for the cost of attendance (as defined in section 472) at an institution of higher education participating in a loan program under part B, part D, or part E of title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et
seq.), as of the date that the loan was disbursed, and that was made before the date of enactment of the Student Debt Cancellation Act of 2019.

“(2) Private educational lender.—The term private educational lender has the meaning given the term in section 140(a) of the Truth in Lending Act (15 U.S.C. 1650(a)).

“(c) Method of loan purchase and forgiveness.—The Secretary, in consultation with the Secretary of the Treasury, shall carry out a program under which the Secretary, upon application by a borrower who has an eligible private student loan, shall purchase the eligible private student loans of the borrower, issue such borrower a loan under this section, and forgive such loan, in accordance with the following:

“(1) The Secretary shall pay to the private educational lender of the eligible private student loan an amount equal to the sum of the unpaid principal, accrued unpaid interest, and late charges of the eligible private student loan, as calculated on the date of the purchase of such loan, in order to discharge the borrower from any remaining obligation to the private educational lender with respect to the eligible private student loan.
“(2) The Secretary shall issue to the borrower a loan, known as a Federal Direct Forgiveness Loan, in an amount equal to the sum of the amount paid to the private educational lender of the eligible private student loan of the borrower that was purchased by the Secretary in accordance with paragraph (1).

“(3) The Secretary shall, immediately upon issuance of a Federal Direct Forgiveness Loan, cancel the outstanding balance of interest and principal due on such loan.

“(d) REPAYMENT REFUNDS PROHIBITED.— Nothing in this section shall be construed to authorize any refunding of any repayment of a loan.

“(e) EXCLUSION FROM TAXABLE INCOME.—The amount of a borrower’s Federal Direct Forgiveness Loans forgiven under this section shall not be included in the gross income of the borrower for purposes of the Internal Revenue Code of 1986.”.

(b) NOTICE TO BORROWERS.—Section 128(e) of the Truth in Lending Act (15 U.S.C. 1638(e)) is amended by adding at the end the following new paragraph:

“(12) NOTICE REQUIRED ALONG WITH BILLING STATEMENTS.—Along with each billing statement sent to the borrower during the six-month period be-
ginning on the day after the date of enactment of
the Student Debt Cancellation Act of 2019, the pri-
ivate educational lender shall include a statement in-
forming the borrower that—

“(A) the borrower may be eligible for loan
forgiveness of eligible private student loans
under section 459C of the Higher Education
Act of 1965; and

“(B) to be eligible for such loan forgive-
ness, the borrower must apply to the Secretary
of Education no later than the date that is 180
days after the date of enactment of the Student
Debt Cancellation Act of 2019.”.

SEC. 4. NOTICE TO THE PUBLIC.

Not later than 15 days after the date of enactment
of this Act, the Secretary of Education, in consultation
with institutions of higher education and lenders of Fed-
eral student loans and private education loans, shall take
such actions as may be necessary to ensure that borrowers
who have outstanding eligible Federal student loans or
outstanding eligible private student loans (as defined in
section 459C of the Higher Education Act of 1965, as
added by this Act) are aware of the loan forgiveness pro-
grams authorized by this Act. Such information shall—
(1) be presented in a form that is widely available to the public, especially to borrowers with outstanding Federal and private student loans;

(2) be easily understandable; and

(3) clearly notify borrowers of eligible private student loans—

(A) that borrowers must apply for loan forgiveness under this Act, and must do so no later than the date that is 180 days after the date of enactment of this Act; and

(B) of the application process and requirements to apply for forgiveness of eligible private student loans in accordance with this Act.