

116TH CONGRESS
1ST SESSION

H. R. 231

To amend the Higher Education Act of 1965 to provide loan deferment and loan cancellation for founders and employees of small business start-ups, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 3, 2019

Ms. VELÁZQUEZ (for herself and Mr. SERRANO) introduced the following bill; which was referred to the Committee on Education and Labor, and in addition to the Committees on Ways and Means, and Small Business, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Higher Education Act of 1965 to provide loan deferment and loan cancellation for founders and employees of small business start-ups, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Supporting America’s
5 Young Entrepreneurs Act of 2019”.

1 **SEC. 2. SMALL BUSINESS START-UP EMPLOYEE LOAN**
2 **DEFERMENT AND CANCELLATION.**

3 (a) DEFERMENT.—Section 455(f) of the Higher Edu-
4 cation Act of 1965 (20 U.S.C. 1087e(f)) is amended—

5 (1) in paragraph (1), by striking “A borrower
6 of a loan” and inserting “Except as provided in
7 paragraph (5), a borrower of a loan”; and

8 (2) by adding at the end the following:

9 “(5) NO INTEREST DEFERMENT ELIGIBILITY
10 FOR FOUNDERS OF SMALL BUSINESS START-UPS.—
11 A borrower of a loan made under this part shall be
12 eligible for a deferment, during which periodic in-
13 stallments of principal and interest need not be paid,
14 during any period not in excess of 3 years during
15 which the borrower is employed as a founder of a
16 small business start-up (as defined in subsection
17 (r)(3)).”.

18 (b) LOAN CANCELLATION.—Section 455 of the High-
19 er Education Act of 1965 (20 U.S.C. 1087e) is amended
20 by adding at the end the following:

21 “(r) LOAN CANCELLATION FOR CERTAIN SMALL
22 BUSINESS START-UP EMPLOYEES.—

23 “(1) FOUNDER OF A SMALL BUSINESS START-
24 UP IN A DISTRESSED AREA.—

25 “(A) IN GENERAL.—The Secretary shall
26 cancel \$20,000 of the balance of interest and

1 principal due, in accordance with subparagraph
2 (B), on any eligible Federal Direct Loan not in
3 default for a borrower who—

4 “(i) has made 24 monthly payments
5 on the eligible Federal Direct Loan after
6 the date of the enactment of this sub-
7 section pursuant to any one or a combina-
8 tion of payments under a repayment plan
9 under subsection (d)(1) or (g);

10 “(ii) has been employed as a founder
11 of a small business start-up in a distressed
12 area during the period in which the bor-
13 rower makes each of the 24 payments;

14 “(iii) is employed as a founder of a
15 small business start-up in a distressed area
16 at the time of such cancellation; and

17 “(iv) is approved for loan cancellation
18 by the young entrepreneurs business center
19 under section 47 of the Small Business Act
20 (16 U.S.C. 631 et seq.).

21 “(B) LOAN CANCELLATION AMOUNT.—

22 “(i) IN GENERAL.—After the conclu-
23 sion of the employment period described in
24 subparagraph (A), the Secretary shall can-
25 cel the obligation to repay \$20,000 of the

1 balance of interest and principal due as of
2 the time of such cancellation, on the eligi-
3 ble Federal Direct Loans made to the bor-
4 rower under this part.

5 “(ii) LIMITATION.—A borrower may
6 not receive an aggregate amount of more
7 than \$20,000 under this subparagraph.

8 “(C) INELIGIBILITY FOR DOUBLE BENE-
9 FITS.—No borrower may, for the same service,
10 receive a reduction of loan obligations under
11 both this paragraph and—

12 “(i) paragraph (2);

13 “(ii) subsection (m); or

14 “(iii) section 428J, 428K, 428L, or
15 460.

16 “(2) EMPLOYEE OF A SMALL BUSINESS START-
17 UP.—

18 “(A) IN GENERAL.—The Secretary shall
19 cancel \$3,000 of the balance of interest and
20 principal due, in accordance with subparagraph
21 (B), on any eligible Federal Direct Loan not in
22 default for a borrower who—

23 “(i) has made 12 monthly payments
24 on the eligible Federal Direct Loan after
25 the date of the enactment of this sub-

1 section pursuant to any one or a combina-
2 tion of payments under a repayment plan
3 under subsection (d)(1) or (g);

4 “(ii) has been employed in a small
5 business start-up job during the period in
6 which the borrower makes each of the 12
7 payments; and

8 “(iii) is employed in a small business
9 start-up job at the time of such cancella-
10 tion.

11 “(B) LOAN CANCELLATION AMOUNT.—

12 “(i) IN GENERAL.—After the conclu-
13 sion of the employment period described in
14 subparagraph (A), the Secretary shall can-
15 cel the obligation to repay \$3,000 of the
16 balance of interest and principal due as of
17 the time of such cancellation, on the eligi-
18 ble Federal Direct Loans made to the bor-
19 rower under this part.

20 “(ii) LIMITATION.—A borrower may
21 not receive an aggregate amount of more
22 than \$15,000 under this subparagraph.

23 “(C) INELIGIBILITY FOR DOUBLE BENE-
24 FITS.—No borrower may, for the same service,

1 receive a reduction of loan obligations under
2 both this paragraph and—

3 “(i) paragraph (1);

4 “(ii) subsection (m); or

5 “(iii) section 428J, 428K, 428L, or
6 460.

7 “(3) DEFINITIONS.—In this subsection:

8 “(A) DISTRESSED AREA.—The term ‘dis-
9 tressed area’ means an area identified under
10 section 49 of the Small Business Act.

11 “(B) ELIGIBLE FEDERAL DIRECT LOAN.—
12 The term ‘eligible Federal Direct Loan’ means
13 a Federal Direct Stafford Loan, Federal Direct
14 PLUS Loan, or Federal Direct Unsubsidized
15 Stafford Loan, or a Federal Direct Consolida-
16 tion Loan.

17 “(C) FOUNDER.—The term ‘founder’ shall
18 have the meaning given such term by the Ad-
19 ministrator of the Small Business Administra-
20 tion under this paragraph.

21 “(D) SMALL BUSINESS START-UP.—The
22 term ‘small business start-up’ means a business
23 that is certified by the young entrepreneurs
24 business center under section 49 of the Small
25 Business Act.

1 “(E) SMALL BUSINESS START-UP JOB.—
2 The term ‘small business start-up job’ means a
3 full-time job as an employee of a small business
4 start-up.”.

5 **SEC. 3. YOUNG ENTREPRENEURS BUSINESS CENTER.**

6 The Small Business Act (15 U.S.C. 631 et seq.) is
7 amended—

8 (1) by redesignating section 49 as section 50;
9 and

10 (2) by inserting after section 48 the following
11 new section:

12 **“SEC. 49. YOUNG ENTREPRENEURS BUSINESS CENTER.**

13 “(a) ESTABLISHMENT.—There is established within
14 the Administration a young entrepreneurs business center
15 that shall, for purposes of loan cancellation for start-up
16 employees established under subsection (r) of section 455
17 of the Higher Education Act of 1965—

18 “(1) certify small business start-ups under sub-
19 section (b);

20 “(2) identify distressed areas under subsection
21 (c); and

22 “(3) approve loan cancellation for founders of
23 small business start-ups in distressed areas under
24 subsection (d).

25 “(b) CERTIFICATION.—

1 “(1) APPLICATION.—To be certified by the
2 young entrepreneurs business center, a small busi-
3 ness start-up shall submit an application to the Ad-
4 ministrator that includes—

5 “(A) a 5-year business plan for such small
6 business start-up; and

7 “(B) the number of employees the small
8 business start-up intends to employ on a yearly
9 basis.

10 “(2) REQUIREMENTS.—The young entre-
11 preneurs business center may not certify a small
12 business start-up unless such small business start-
13 up, on the date the application is submitted under
14 paragraph (1)—

15 “(A) has a founder who is a recent grad-
16 uate of a 4-year institution of higher education;

17 “(B) is a start-up for which at least 50
18 percent of the employees of the start-up are re-
19 cent graduates of such an institution.

20 “(c) DISTRESSED AREA.—

21 “(1) IN GENERAL.—Not less than once every 3
22 years after the date of the enactment of this section,
23 the young entrepreneurs business center shall iden-
24 tify and make publically available on the website of
25 the Administration a list of distressed areas.

1 “(2) REQUIREMENTS.—A distressed area iden-
2 tified under paragraph (1) shall be a county or
3 equivalent division of local government of a State in
4 which the small business concern is located—

5 “(A) that has, for the most recent 24-
6 month period for which statistics are avail-
7 able—

8 “(i) a per capita income of 80 percent
9 or less of the national average; or

10 “(ii) an unemployment rate that is 1
11 percent greater than the national average;
12 and

13 “(B) for which the young entrepreneurs
14 business center determines would economically
15 benefit from having small business start-ups es-
16 tablished in such area.

17 “(d) LOAN CANCELLATION FOR FOUNDERS OF A
18 SMALL BUSINESS START-UP IN A DISTRESSED AREA.—
19 For purposes of loan cancellation under subsection (r)(1)
20 of section 455 of the Higher Education Act of 1965, the
21 young entrepreneurs business center shall approve a
22 founder of a small business start-up in a distressed area
23 if such founder—

24 “(1) established a small business start-up
25 that—

1 “(A) on the date such small business start-
2 up was established, was located in a distressed
3 area identified by the young entrepreneurs busi-
4 ness center under subsection (c) not more than
5 3 years before such date of establishment;

6 “(B) was certified under subsection (b);
7 and

8 “(C) on the date of approval under this
9 subsection, has been operating continuously for
10 not less than 5 years; and

11 “(2) was employed as a founder of a small busi-
12 ness start-up in a distressed area during the period
13 in which such founder made the 24 payments de-
14 scribed in subsection (r)(1)(A) of such section 455.

15 “(e) DEFINITIONS.—In this section:

16 “(1) INSTITUTION OF HIGHER EDUCATION.—
17 The term ‘institution of higher education’ has the
18 meaning given such term in section 102 of the High-
19 er Education Act (20 U.S.C. 1002).

20 “(2) SMALL BUSINESS START-UP.—The term
21 ‘small business start-up’ means a small business
22 concern that—

23 “(A) is not yet in existence; or

24 “(B) has been in existence for not more
25 than 3 years.”.

1 **SEC. 4. TREATMENT OF LOAN CANCELLATION.**

2 (a) **IN GENERAL.**—Section 108(f) of the Internal
3 Revenue Code of 1986 is amended by adding at the end
4 the following new paragraph:

5 “(5) **CANCELLATION OF CERTAIN FEDERAL**
6 **STUDENT LOANS.**—In the case of an individual,
7 gross income shall not include the discharge (in
8 whole or in part) of any student loan pursuant to
9 the cancellation (in whole or in part) of such loan
10 by the Secretary of Education under subsection (r)
11 of section 455 of the Higher Education Act of 1965
12 (20 U.S.C. 1087e).”.

13 (b) **EFFECTIVE DATE.**—The amendment made by
14 this section shall apply to discharges of indebtedness oc-
15 ccurring after the date of the enactment of this Act.

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