

H.R. 4170
THE STUDENT LOAN FORGIVENESS ACT OF 2012
INTRODUCED IN THE HOUSE OF REPRESENTATIVES ON MARCH 8, 2012

FREQUENTLY ASKED QUESTIONS

- Does H.R. 4170 Cover Private Student Loans?
 - Yes, if the borrower's average adjusted gross income is equal to or less than their total education debt.
- How is "discretionary income" calculated?
 - Discretionary income is defined as the borrower's, and the borrower's spouse's (if applicable), adjusted gross income exceeding 150% of the poverty line applicable to the borrower's family size as determined under section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)).
- Would the forgiven debt be treated as taxable income?
 - No.
- What would happen if I am unemployed or become unemployed?
 - You would still qualify for enrollment in the program if you are unemployed or become unemployed.
 - For those borrowers who would owe zero dollars based on their discretionary income, the Department of Education would make a case by case assessment of the appropriate minimum monthly payment. This minimum monthly payment, even if calculated at zero dollars, would be applied towards debt forgiveness.
- Would there be caps on the maximum amount of forgiveness available?
 - Yes and no. Under the bill, there would be no caps on the maximum amount of forgiveness available for borrowers who are currently in repayment or in school.
 - For new borrowers, the bill imposes a debt forgiveness cap of \$45,520 to incentivize students to make sound financial decisions and to encourage colleges and universities to lower the cost of their tuition.
- How would H.R. 4170 impact interest rates on student loans?
 - The bill would cap interest rates on federal loans at 3.4%.

- Would I still be eligible to enroll if my loans are in default?
 - Yes. Unlike the federal government's program of Income Based Repayment (IBR), there is no requirement for the borrower to be current on his or her loans in order to qualify for enrollment in the new 10/10 program.
- What if I've already paid the equivalent of 10% of my discretionary income for at least 10 years?
 - Under the terms of this bill, those who have already paid the equivalent of at least 10% of their discretionary income over the prior 10 years totaling 120 payments would immediately qualify for forgiveness upon passage of the bill.
- How are married couples' incomes calculated for purposes of this plan?
 - For married couples who file their income taxes jointly, loan payments would be calculated according to household income. Loan payments for married couples filing separately would be based on the individual borrower's income.
- As a parent who took out a Parent Plus Loan, how would this bill help me?
 - You would be eligible to enroll in the program.
- Would this bill restore bankruptcy protections for student loan debt?
 - No. However, Rep. Hansen Clarke will be introducing a "Student Loan Borrower Bill of Rights" in the coming weeks which, if signed into law, would restore bankruptcy and other consumer protections for student loan debt. The "Student Loan Borrower Bill of Rights" would also propose a whole host of much-needed reforms to the student lending system.