

110TH CONGRESS  
2D SESSION

# S. 2847

To amend the Federal Home Loan Bank Act to allow Federal home loan banks to invest surplus funds in student loan securities and make advances for student loan financing, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

APRIL 10, 2008

Mr. KERRY introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

To amend the Federal Home Loan Bank Act to allow Federal home loan banks to invest surplus funds in student loan securities and make advances for student loan financing, 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 “Emergency Student  
5       Loan Market Liquidity Act”.

6       **SEC. 2. EMERGENCY STUDENT LOAN MARKET LIQUIDITY.**

7       The Federal Home Loan Bank Act (12 U.S.C. 1421  
8       et seq.) is amended—

1           (1) by redesignating section 30 as section 31;

2           and

3           (2) by inserting after section 29, the following

4           new section:

5   **“SEC. 30. EMERGENCY AUTHORITY.**

6           “(a) INVESTMENT OF SURPLUS.—Such part of the  
7 assets of each Federal home loan bank (except reserves  
8 and amounts provided for in subsection (g) of section 11)  
9 as are not required for advances to members, may be in-  
10 vested in student loan-related securities in addition to the  
11 other investments described in subsection (h) of such sec-  
12 tion.

13          “(b) COLLATERAL.—For purposes of section  
14 10(a)(3), the following shall be considered eligible collat-  
15 eral in addition to the other categories of eligible collateral  
16 described in such section:

17           “(1) Student loan-related securities.

18           “(2) Student loans.

19          “(c) LONG-TERM ADVANCES.—Notwithstanding sec-  
20 tion 10(a)(2), any Federal home loan bank may make se-  
21 cured long-term advances upon sufficient collateral for  
22 purposes of providing funds to any member for financing  
23 the origination of student loans or the purchase or financ-  
24 ing of student loan-related securities.

1       “(d) DEFINITIONS.—For purposes of this section, the  
2 following definitions shall apply:

3           “(1) STUDENT LOAN-RELATED SECURITY.—The  
4 term ‘student loan-related security’ means a security  
5 that—

6           “(A) is rated in 1 of the 3 highest rating  
7 categories (without regard to any refinement or  
8 gradation of such rating category by a numer-  
9 ical modifier or otherwise) by at least one na-  
10 tionally recognized statistical rating organiza-  
11 tion; and

12           “(B) is described in at least 1 of the fol-  
13 lowing clauses:

14           “(i) Represents an interest in student  
15 loans.

16           “(ii) Is a bond, note or other obliga-  
17 tion payable from and secured by an inter-  
18 est in student loans.

19           “(iii) Is a bond, note or other obliga-  
20 tion that—

21           “(I) is part of an issue of securi-  
22 ties issued for the purpose of pro-  
23 viding funds to purchase or originate  
24 student loans; and

1                   “(II) will be payable from and se-  
2                   cured by an interest in such student  
3                   loans.

4                   “(2) INTEREST IN STUDENT LOANS.—The term  
5                   ‘interest in student loans’ includes ownership rights  
6                   in, or certificates of interest or participation inter-  
7                   ests in, such student loans or the promissory notes  
8                   evidencing such student loans and rights designated  
9                   to assure servicing of such promissory notes, or the  
10                  receipt or timely receipt of amounts payable and  
11                  under such promissory notes or the timely distribu-  
12                  tion thereof to the holders of such interest.

13                  “(3) STUDENT LOAN.—The term ‘student loan’  
14                  means any loan made under subtitle B of title IV of  
15                  the Higher Education Act of 1965 (whether to a  
16                  student, the parents of a student, or a consolidating  
17                  borrower).

18                  “(e) TEMPORARY NATURE OF RELIEF.—

19                  “(1) EFFECTIVE PERIOD.—Except as provided  
20                  in paragraph (2), this section shall be effective for  
21                  investments and advances made between February  
22                  1, 2008, and the end of the 2-year period beginning  
23                  on the date of the enactment of the Emergency Stu-  
24                  dent Loan Market Liquidity Act.

1           “(2) EXCEPTION.—Notwithstanding the expira-  
2           tion of the effective period of this section—

3                   “(A) any investment by any Federal home  
4           loan bank under subsection (a) in any student  
5           loan-related security shall remain an authorized  
6           investment of such bank through the maturity  
7           of such security; and

8                   “(B) any student loan-related securities or  
9           student loans held by any Federal home loan  
10          bank as collateral under subsection (b) for an  
11          advance to a member under subsection (c) may  
12          continue to be held by the bank as security  
13          until the advance matures or is otherwise re-  
14          paid or extinguished.”.

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