

105TH CONGRESS
1ST SESSION

H. R. 2511

To prohibit the Student Loan Marketing Association from conditioning the waiver of redemption premiums, otherwise chargeable in connection with the refinancing of securities acquired by the Association while it was a government-sponsored enterprise, on the use of its own investment banking subsidiary.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 18, 1997

Mr. SKAGGS introduced the following bill; which was referred to the Committee on Education and the Workforce

A BILL

To prohibit the Student Loan Marketing Association from conditioning the waiver of redemption premiums, otherwise chargeable in connection with the refinancing of securities acquired by the Association while it was a government-sponsored enterprise, on the use of its own investment banking subsidiary.

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. FINDINGS AND PURPOSE.**

4 (a) FINDINGS.—The Congress finds as follows:

5 (1) The Student Loan Marketing Association
6 (hereinafter referred to as the “Association”) was

1 established as a government-sponsored enterprise,
2 but is now being transformed into a wholly private
3 business entity.

4 (2) The Association has established a subsidiary
5 (Educational Securities, Inc.) that functions as a fi-
6 nance broker dealer which competes with other such
7 dealers with regard to financing of higher education.

8 (3) While it was a government-sponsored enter-
9 prise, the Association purchased for its own portfolio
10 tax-exempt municipal bonds issued by various edu-
11 cational institutions.

12 (4) The Association has informed some of the
13 institutions issuing such bonds that it will waive re-
14 demptions premiums otherwise chargeable in connec-
15 tion with refunding such bonds if the institutions
16 agree to retain the Association's subsidiary to carry
17 out such transaction.

18 (5) To the extent that such a condition involves
19 securities obtained by the Association during the pe-
20 riod when it was a government-sponsored enterprise,
21 such requirement constitutes unfair competition with
22 other broker dealers who have not been associated
23 with government-sponsored enterprises.

1 (b) PURPOSE.—The purpose of this Act is to prohibit
2 the Association from engaging in the practice described
3 in subsection (a)(4).

4 **SEC. 2. PROHIBITION AND REGULATIONS.**

5 (a) PROHIBITION.—Beginning on the date of the en-
6 actment of this Act, the Association, and any other entity
7 obtaining securities from the Association pursuant to a re-
8 structuring of the common stock ownership of the Associa-
9 tion under section 440 of the Higher Education Act of
10 1965, shall not engage in the practice described in section
11 1(a)(4) with respect to any securities acquired by the As-
12 sociation prior to January 1, 1997.

13 (b) REGULATIONS.—The Secretary of the Treasury
14 shall issue regulations to implement this Act.

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