

105TH CONGRESS  
1ST SESSION

# H. R. 2530

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.

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 23, 1997

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

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## 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

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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.—On and after September 23,  
6 1997, the Association, and any other entity obtaining se-  
7 curities from the Association pursuant to a restructuring  
8 of the common stock ownership of the Association under  
9 section 440 of the Higher Education Act of 1965, shall  
10 not engage in the practice described in section 1(a)(4)  
11 with respect to any securities acquired by the Association  
12 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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