

109TH CONGRESS
1ST SESSION

H. R. 555

To establish additional safeguards on schools acting as lenders under the
Federal Family Education Loan Program.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 2, 2005

Mr. KILDEE (for himself and Mr. VAN HOLLEN) introduced the following bill;
which was referred to the Committee on Education and the Workforce

A BILL

To establish additional safeguards on schools acting as
lenders under the Federal Family Education Loan Program.

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 “School-As-Lender Re-
5 form Act of 2005”.

6 SEC. 2. SCHOOL-AS-LENDER REFORM.

7 Section 435(d)(2) (20 U.S.C. 1085(d)(2)) is amended
8 to read as follows:

9 “(2) REQUIREMENTS FOR ELIGIBLE INSTITU-
10 TIONS.—

1 “(A) IN GENERAL.—To be an eligible lend-
2 er under this part, an eligible institution—

3 “(i) shall employ at least one person
4 whose full-time responsibilities are limited
5 to the administration of programs of finan-
6 cial aid for students attending such institu-
7 tion;

8 “(ii) shall not be a home study school;

9 “(iii) shall make loans to not more
10 than 50 percent of the undergraduate stu-
11 dents at the institution;

12 “(iv) shall not make a loan, other
13 than a loan to a graduate or professional
14 student, unless the borrower has previously
15 received a loan from the school;

16 “(v) shall award any contract for fi-
17 nancing, servicing, administration, or ad-
18 ministration of loans under this title on a
19 competitive basis;

20 “(vi) shall offer loans which carry a
21 reduced origination fee, or a lower interest
22 rate, or both, than are authorized under
23 the provisions of this title;

1 “(vii) shall not have a cohort default
2 rate (as defined in section 435(m)) greater
3 than 10 percent;

4 “(viii) shall use any proceeds from
5 special allowance payments and interest
6 payments from borrowers, and any pro-
7 ceeds from the sale or other disposition of
8 loans, for need-based grant programs; and

9 “(ix) shall, for any year for which the
10 institution engages in activities as an eligi-
11 ble lender, provide for a compliance audit
12 conducted in accordance with section
13 428(b)(1)(U)(iii)(I), and the regulations
14 thereunder, and submit the results of such
15 audit to the Secretary.

16 “(B) ADMINISTRATIVE EXPENSES.—An el-
17 igible lender under subparagraph (A) shall be
18 permitted to use a portion of the proceeds de-
19 scribed in subparagraph (A)(viii) for reasonable
20 and direct administrative expenses.

21 “(C) SUPPLEMENT, NOT SUPPLANT.—An
22 eligible lender under subparagraph (A) shall en-
23 sure that the proceeds described in subpara-
24 graph (A)(viii) are used to supplement, and not
25 to supplant, non-Federal funds that would oth-

1 erwise be used for need-based grant pro-
2 grams.”.

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