

110TH CONGRESS
2D SESSION

H. R. 5723

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.

IN THE HOUSE OF REPRESENTATIVES

APRIL 8, 2008

Mr. KANJORSKI introduced the following bill; which was referred to the
Committee on Financial Services

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
13 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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