

104TH CONGRESS
1ST SESSION

H. R. 1720

To amend the Higher Education Act of 1965 to provide for the cessation of Federal sponsorship of two Government sponsored enterprises, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 25, 1995

Mr. McKEON introduced the following bill; which was referred to the
Committee on Economic and Educational Opportunities

A BILL

To amend the Higher Education Act of 1965 to provide for the cessation of Federal sponsorship of two Government sponsored enterprises, 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; REFERENCES.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Privatization Act of 1995”.

6 (b) REFERENCES.—References in this Act to “the
7 Act” are references to the Higher Education Act of 1965.

1 **SEC. 2. PURPOSE.**

2 The purpose of this Act is to provide for the cessation
3 of Federal sponsorship of two Government sponsored en-
4 terprises, the Student Loan Marketing Association and
5 the College Construction Loan Insurance Association now
6 that both corporations are economically viable and have
7 successfully fulfilled the purposes for which they were cre-
8 ated.

9 **TITLE I—STUDENT LOAN**
10 **MARKETING ASSOCIATION**

11 **SEC. 101. REORGANIZATION OF THE STUDENT LOAN MAR-**
12 **KETING ASSOCIATION THROUGH THE FOR-**
13 **MATION OF A HOLDING COMPANY.**

14 (a) AMENDMENT.—Part B of title IV of the Higher
15 Education Act of 1965 (20 U.S.C. 1071 et seq. (1988))
16 is amended by inserting after section 439 (20 U.S.C.
17 1087-2) the following new section:

18 **“SEC. 440. REORGANIZATION OF THE STUDENT LOAN MAR-**
19 **KETING ASSOCIATION THROUGH THE FOR-**
20 **MATION OF A HOLDING COMPANY.**

21 “(a) ACTIONS BY THE ASSOCIATION’S BOARD OF DI-
22 RECTORS.—The Board of Directors of the Association
23 shall take or cause to be taken all such action as it deems
24 necessary or appropriate to effect, upon the shareholder
25 approval described in subsection (b), a restructuring of the
26 common stock ownership of the Association, as set forth

1 in a plan of reorganization adopted by the Board of Direc-
2 tors (the terms of which shall be consistent with this Act)
3 so that all of the outstanding common shares shall be di-
4 rectly owned by an ordinary business corporation char-
5 tered under State or District of Columbia law (the 'Hold-
6 ing Company'), as the Board of Directors may determine.
7 Such actions may include, in the Board's discretion, a
8 merger of a wholly owned subsidiary of the Holding Com-
9 pany with and into the Association, which would have the
10 effect provided in the plan of reorganization and the law
11 of the jurisdiction in which such subsidiary is incor-
12 porated. As part of the restructuring, the Board of Direc-
13 tors may cause (1) the common shares of the Association
14 to be converted, at the reorganization effective date, to
15 common shares of the Holding Company on a one for one
16 basis, consistent with applicable State or District of Co-
17 lumbia law, and (2) Holding Company common shares to
18 be registered with the Securities and Exchange Commis-
19 sion.

20 “(b) SHAREHOLDER APPROVAL.—The plan of reor-
21 ganization adopted by the Board of Directors pursuant to
22 subsection (a) shall be submitted to common stockholders
23 of the Association for their approval. The reorganization
24 shall occur at the reorganization effective date, provided
25 that the plan of reorganization has been approved by the

1 affirmative votes, cast in person or by proxy, of the holders
2 of a majority of the issued and outstanding shares of the
3 Association common stock.

4 “(c) TRANSITION.—

5 “(1) IN GENERAL.—Except as specifically pro-
6 vided in this section, until the dissolution date the
7 Association shall continue to have all of the rights,
8 privileges and obligations set forth in, and shall be
9 subject to all of the limitations and restrictions of,
10 section 439 of this Act as in effect on the effective
11 date of this section. The Holding Company and its
12 affiliates other than the Association shall not be en-
13 titled to any of the rights, privileges and obligations,
14 and shall not be subject to the limitations and re-
15 strictions, applicable to the Association under section
16 439 of this Act as in effect on the effective date of
17 this section, except as specifically provided in this
18 section. The Holding Company and its subsidiaries
19 (other than the Association) shall not purchase loans
20 insured under this Act until such time as the Asso-
21 ciation ceases acquiring such loans, except that the
22 Association may continue to acquire loans as a lend-
23 er of last resort pursuant to section 439(q) of this
24 Act or under an agreement with the Secretary de-
25 scribed in section 440(c)(6).

1 “(2) TRANSFER OF CERTAIN PROPERTY.—Ex-
2 cept as specifically provided in this section, at the
3 reorganization effective date or as soon as prac-
4 ticable thereafter, the Association shall use its best
5 efforts to transfer to the Holding Company or its
6 subsidiaries (or both), in each case, as directed by
7 the Holding Company, all real and personal property
8 of the Association (both tangible and intangible)
9 other than the remaining property. Without limiting
10 the preceding sentence, such transferred property
11 shall include all right, title and interest in (A) direct
12 or indirect subsidiaries of the Association (excluding
13 any interest in any government sponsored enter-
14 prise), (B) contracts, leases, and other agreements,
15 (C) licenses and other intellectual property, and (D)
16 any other property of the Association. Notwithstand-
17 ing the preceding provisions of this paragraph, noth-
18 ing in this paragraph shall be construed to prohibit
19 the Association from transferring remaining prop-
20 erty from time to time to the Holding Company or
21 its subsidiaries, subject to the provisions of para-
22 graph (4).

23 “(3) TRANSFER OF PERSONNEL.—At the reor-
24 ganization effective date, employees of the Associa-
25 tion shall become employees of the Holding Com-

1 pany (or of the subsidiaries), and the Holding Com-
2 pany (or the subsidiaries or both) shall provide all
3 necessary and appropriate management and oper-
4 ational support (including loan servicing) to the As-
5 sociation, as requested by the Association. The Asso-
6 ciation may, however, obtain such management and
7 operational support from other persons or entities.

8 “(4) DIVIDENDS.—The Association may pay
9 dividends in the form of cash or noncash distribu-
10 tions so long as at the time of the declaration of
11 such dividends, after giving effect to the payment of
12 such dividends as of the date of such declaration by
13 the Board of Directors of the Association, the Asso-
14 ciation’s capital would be in compliance with the
15 capital standards set forth in section 439(r) of this
16 Act. If, at any time after the reorganization effective
17 date, the Association fails to comply with such cap-
18 ital standards, the Holding Company shall be obli-
19 gated to transfer to the Association additional cap-
20 ital in such amounts as are necessary to ensure that
21 the Association again complies with the capital
22 standards, but not to exceed that amount received
23 by the Holding Company as dividends during the 6-
24 month period immediately preceding such failure.

1 “(5) VALUATION OF NONCASH DISTRIBUTIONS.—After the reorganization effective date, any
2 distribution of noncash assets by the Association to
3 the Holding Company shall be valued at book value
4 on the date the Association’s Board of Directors ap-
5 proved such distribution for purposes of calculating
6 compliance with section 439(r) of this Act.
7

8 “(6) RESTRICTIONS ON NEW BUSINESS ACTIV-
9 ITY OR ACQUISITION OF ASSETS BY ASSOCIATION.—
10 After the reorganization effective date, the Associa-
11 tion shall not engage in any new business activities
12 or acquire any additional assets other than—

13 “(A) in connection with (i) student loan
14 purchases through September 30, 2003, and (ii)
15 contractual commitments for future
16 warehousing advances or pursuant to letters of
17 credit or standby bond purchase agreements
18 which are outstanding as of the reorganization
19 effective date;

20 “(B) in connection with its serving as a
21 lender-of-last-resort pursuant to section 439 of
22 this Act; and

23 “(C) in connection with its purchase of
24 loans insured under this part, if the Secretary,
25 with the approval of the Secretary of the Treas-

1 ury, requests the Association to continue or re-
2 sume its secondary market purchase program
3 because the Secretary determines there is inad-
4 equate liquidity for loans made under this part,
5 the Secretary is authorized to enter into agree-
6 ments with the Association covering these addi-
7 tional secondary market activities.

8 Any agreement entered into under subparagraph (C)
9 shall cover a period of 12 months, but may be re-
10 newed if the Secretary determines that liquidity re-
11 mains inadequate. The fee provided under section
12 439(h)(7) shall not apply to loans acquired under
13 any such agreement with the Secretary.

14 “(7) ISSUANCE OF DEBT OBLIGATIONS DURING
15 THE TRANSITION PERIOD; ATTRIBUTES OF DEBT OB-
16 LIGATIONS.—After the reorganization effective date,
17 the Association shall not issue debt obligations which
18 mature later than September 30, 2007, except in
19 connection with serving as a lender-of-last-resort
20 pursuant to section 439 of this Act or with purchas-
21 ing loans under an agreement with the Secretary as
22 described in paragraph (6) of this subsection. Noth-
23 ing in this subsection shall modify the attributes ac-
24 corded the debt obligations of the Association by sec-
25 tion 439, regardless of whether such debt obligations

1 are incurred prior to, or at any time following, the
2 reorganization effective date or are transferred to a
3 trust in accordance with subsection (d).

4 “(8) MONITORING OF SAFETY AND SOUND-
5 NESS.—

6 “(A) OBLIGATION TO OBTAIN, MAINTAIN,
7 AND REPORT INFORMATION.—The Association
8 shall obtain such information and make and
9 keep such records as the Secretary of the
10 Treasury may from time to time prescribe con-
11 cerning the Association’s policies, procedures,
12 or systems for monitoring and controlling finan-
13 cial risk to it resulting from the activities of
14 any of its associated persons, to the extent such
15 activities are reasonably likely to have a mate-
16 rial impact on the financial condition of the As-
17 sociation, including its capital ratio, its liquid-
18 ity, or its ability to conduct and finance its op-
19 erations, except that the Association’s obliga-
20 tions under this subsection with respect to any
21 associated person which is a third party servicer
22 (as defined in 34 C.F.R. 682.200(b)) shall be
23 limited to providing to the Secretary of the
24 Treasury copies of any reports or other infor-
25 mation provided to the Secretary of Education

1 pursuant to 34 C.F.R. 682.200 et seq. The Sec-
2 retary of the Treasury may require summary
3 reports of such information to be filed no more
4 frequently than quarterly. For purposes of this
5 paragraph, the term ‘associated person’ shall
6 mean any person, other than a natural person,
7 directly or indirectly controlling, controlled by,
8 or under common control with the Association.

9 “(B) SEPARATE OPERATION OF CORPORA-
10 TIONS.—

11 “(i) The funds and assets of the Asso-
12 ciation shall at all times be maintained
13 separately from the funds and assets of the
14 Holding Company or any of its other sub-
15 sidiaries and may be used solely by the As-
16 sociation to carry out its purposes and to
17 fulfill its obligations.

18 “(ii) The Association shall maintain
19 books and records that clearly reflect the
20 assets and liabilities of the Association,
21 separate from the assets and liabilities of
22 the Holding Company or any of its other
23 subsidiaries.

24 “(iii) The Association shall maintain a
25 corporate office that is physically separate

1 from any office of the Holding Company or
2 any of its subsidiaries.

3 “(iv) No director of the Association
4 that is appointed by the President pursu-
5 ant to section 439(c)(1)(A) may serve as a
6 director of the Holding Company.

7 “(v) At least one officer of the Asso-
8 ciation shall remain an officer solely of the
9 Association.

10 “(vi) Transactions between the Asso-
11 ciation and the Holding Company or its
12 other subsidiaries, including any loan serv-
13 icing arrangements, shall be on terms no
14 less favorable to the Association than the
15 Association could obtain from an unrelated
16 third party.

17 “(vii) The Association shall not extend
18 credit to the Holding Company or any of
19 its affiliates, nor guarantee or provide any
20 credit enhancement to any debt obligations
21 of the Holding Company or any of its af-
22 filiates.

23 “(C) ENCUMBRANCE OF ASSETS.—Not-
24 withstanding any otherwise applicable Federal
25 or State law, rule, or regulation, or legal or eq-

1 uitable principle, doctrine, or theory to the con-
2 trary, under no circumstances shall the assets
3 of—

4 “(i) the Association be available or
5 used to pay claims or debts of or incurred
6 by the Holding Company; or

7 “(ii) the Holding Company be avail-
8 able or used to pay claims or debts of or
9 incurred by the Association.

10 Nothing in this subparagraph shall limit the
11 right of the Association to pay dividends not
12 otherwise prohibited hereunder or limit any li-
13 ability of the Holding Company explicitly pro-
14 vided for in this part.

15 “(D) HOLDING COMPANY ACTIVITIES.—
16 After the reorganization effective date and prior
17 to the dissolution of the Association in accord-
18 ance with section 440(d), Holding Company ac-
19 tivities shall be limited to ownership of the As-
20 sociation and any other subsidiaries. All busi-
21 ness activities shall be conducted through sub-
22 sidiaries.

23 “(9) ASSOCIATION BOARD OF DIRECTORS.—
24 Notwithstanding any other provision of part B of
25 this title, after the reorganization effective date, the

1 14 directors of the Association elected by the Asso-
2 ciation's stockholders (which immediately after the
3 reorganization effective date shall be the Holding
4 Company) shall no longer be required to meet the
5 eligibility requirements set forth in section 439(c).

6 “(10) ISSUANCE OF STOCK WARRANTS.—At the
7 reorganization effective date, the Holding Company
8 shall issue to the Secretary of the Treasury 100,000
9 stock warrants, each entitling the holder of the stock
10 warrant to purchase from the Holding Company one
11 share of the registered common stock of the Holding
12 Company at any time on or before September 30,
13 2007. The exercise price for such warrants shall be
14 an amount equal to (A) the average closing price of
15 the common stock of the Association for the 20 busi-
16 ness days prior to and including the date of enact-
17 ment of this section on the exchange or market
18 which is then the primary exchange or market for
19 the common stock of the Association, plus (B) 10
20 percent of the average price described in clause (A)
21 subject to any adjustments necessary to reflect the
22 conversion of Association common stock into Hold-
23 ing Company common stock as part of the plan of
24 reorganization approved by the Association's share-
25 holders.

1 “(11) RESTRICTIONS ON TRANSFER OF ASSO-
2 CIATION SHARES AND BANKRUPTCY OF ASSOCIA-
3 TION.—After the reorganization effective date, the
4 Holding Company shall not sell, pledge, or otherwise
5 transfer the outstanding shares of the Association,
6 or agree to or cause the liquidation of the Associa-
7 tion to file a petition of bankruptcy under title 11,
8 United States Code, without prior approval of the
9 Secretary of the Treasury.

10 “(d) TERMINATION OF THE ASSOCIATION.—The As-
11 socation shall dissolve, and its separate existence shall
12 terminate on September 30, 2007, after discharge of all
13 outstanding debt obligations and liquidation pursuant to
14 this subsection. The Association may dissolve pursuant to
15 this subsection prior to such date by notifying the Sec-
16 retary of Education and the Secretary of the Treasury of
17 its intention to dissolve, unless within 60 days of receipt
18 of such notice the Secretary of Education notifies the As-
19 socation that it continues to be needed to serve as a lend-
20 er of last resort pursuant to section 439(q) of this Act
21 or continues to be needed to purchase loans under an
22 agreement with the Secretary described in subsection
23 (c)(6) of this section. On the dissolution date, the Associa-
24 tion shall take the following actions:

1 “(1) ESTABLISHMENT OF A TRUST.—The Asso-
2 ciation shall, under the terms of an irrevocable trust
3 agreement in form and substance satisfactory to the
4 Secretary of the Treasury, the Association and the
5 appointed trustee, irrevocably transfer all remaining
6 obligations of the Association to the trust and irrev-
7 ocably deposit or cause to be deposited into such
8 trust, to be held as trust funds solely for the benefit
9 of holders of the remaining obligations, money or di-
10 rect noncallable obligations of the United States of
11 America or any agency thereof for which payment
12 the full faith and credit of the United States is
13 pledged, maturing as to principal and interest in
14 such amounts and at such times as are determined
15 by the Secretary of the Treasury to be sufficient,
16 without consideration of any significant reinvestment
17 of such interest, to pay the principal of, and interest
18 on, the remaining obligations in accordance with
19 their terms. To the extent the Association cannot
20 provide money or qualifying obligations in the
21 amount required, the Holding Company shall be re-
22 quired to transfer money or qualifying obligations to
23 the trust in the amount necessary to prevent any de-
24 ficiency.

1 “(2) USE OF TRUST ASSETS.—All money, obli-
2 gations, or financial assets deposited into the trust
3 pursuant to this subsection shall be applied by the
4 trustee to the payment of the remaining obligations
5 assumed by the trust. Upon the fulfillment of the
6 trustee’s duties under the trust, any remaining as-
7 sets of the trust shall be transferred to the Holding
8 Company or its subsidiaries, or both, as directed by
9 the Holding Company.

10 “(3) OBLIGATIONS NOT TRANSFERRED TO THE
11 TRUST.—The Association shall make proper provi-
12 sion for all other obligations of the Association, in-
13 cluding the repurchase or redemption, or the making
14 of proper provision for the repurchase or redemp-
15 tion, of any preferred stock of the Association then
16 outstanding. Any obligations of the Association
17 which cannot be fully satisfied shall become liabil-
18 ities of the Holding Company as of the date of dis-
19 solution.

20 “(4) TRANSFER OF REMAINING ASSETS.—After
21 compliance with paragraphs (1), (2), and (3), the
22 Association shall transfer to the Holding Company
23 any remaining assets of the Association.

24 “(e) OPERATION OF THE HOLDING COMPANY.—

1 “(1) HOLDING COMPANY BOARD OF DIREC-
2 TORS.—The number and composition of the Board
3 of Directors of the Holding Company shall be deter-
4 mined as set forth in the Holding Company’s charter
5 or like instrument (as amended from time to time)
6 or bylaws (as amended from time to time) and as
7 permissible under the laws of the jurisdiction of its
8 incorporation.

9 “(2) HOLDING COMPANY NAME.—The names of
10 the Holding Company and any direct or indirect
11 subsidiary of the Holding Company other than the
12 Association (A) may not contain the name ‘Student
13 Loan Marketing Association’, and (B) may contain
14 (to the extent permitted by the applicable State or
15 District of Columbia law), ‘Sallie Mae’, or variations
16 thereof or such other name as the Board of Direc-
17 tors of the Association or the Holding Company
18 shall deem appropriate.

19 “(f) STRICT CONSTRUCTION.—Except as specifically
20 set forth in this section, nothing contained in this section
21 shall be construed to limit the authority of the Association
22 as a federally chartered corporation, or of the Holding
23 Company as a State or District of Columbia chartered cor-
24 poration.

1 “(g) DEADLINE FOR REORGANIZATION EFFECTIVE
2 DATE.—This section shall be of no further force and effect
3 in the event that the reorganization effective date does not
4 occur on or before 18 months after the date of enactment
5 of this section.

6 “(h) DEFINITIONS.—For purposes of this section—

7 “(1) The term ‘Association’ means the Student
8 Loan Marketing Association.

9 “(2) The term ‘dissolution date’ shall mean
10 September 30, 2007, or such earlier date as the Sec-
11 retary of Education permits the transfer of remain-
12 ing obligations in accordance with subsection (d) of
13 this section.

14 “(3) The term ‘reorganization effective date’
15 means the effective date of the reorganization as de-
16 termined by the Board of Directors of the Associa-
17 tion, which shall not be earlier than the date that
18 stockholder approval is obtained pursuant to sub-
19 section (b) of this section and shall not be later than
20 the date that is 18 months after the date of enact-
21 ment of this section.

22 “(4) The term ‘Holding Company’ means the
23 new business corporation formed pursuant to this
24 section by the Association under the laws of any

1 State of the United States or the District of Colum-
2 bia.

3 “(5) The term ‘remaining obligations’ shall
4 mean the debt obligations of the Association out-
5 standing as of the dissolution date.

6 “(6) The term ‘remaining property’ shall mean
7 the following assets and liabilities of the Association
8 which are outstanding as of the reorganization effec-
9 tive date: (A) debt obligations issued by the Associa-
10 tion, (B) contracts relating to interest rate, cur-
11 rency, or commodity positions or protections, (C) in-
12 vestment securities owned by the Association, (D)
13 any instruments, assets, or agreements described in
14 section 439(d) of this Act (including without limita-
15 tion all student loans, forward purchase and lending
16 commitments, warehousing advances, academic fa-
17 cilities obligations, letters of credit, standby bond
18 purchase agreements, liquidity agreements, and stu-
19 dent loan revenue bonds or other loans), and (E) ex-
20 cept as specifically prohibited by this Act, any other
21 nonmaterial assets or liabilities of the Association
22 which the Association’s Board of Directors deter-
23 mines to be necessary or appropriate to its oper-
24 ations.

1 “(7) The term ‘reorganization’ means the re-
2 structuring event or events (including any merger
3 event) giving effect to the holding company structure
4 described in subsection (a) of this section.

5 “(8) The term ‘subsidiaries’ shall mean one or
6 more direct or indirect subsidiaries of the Holding
7 Company.”.

8 (b) TECHNICAL AMENDMENTS.—

9 (1) AMENDMENTS TO THE HIGHER EDUCATION
10 ACT.—Effective on the reorganization effective date
11 (as defined in section 440(h)(3) of the Higher Edu-
12 cation Act of 1965, as added by subsection (a)), sec-
13 tions 435(d)(1) (F) and (G) and 428C(a)(1)(A) of
14 such Act (20 U.S.C. 1085(d)(1)(F), (G); 1078-
15 3(a)(1)(A)) are each amended by inserting after
16 “Student Loan Marketing Association” the follow-
17 ing: “or the Holding Company of the Student Loan
18 Marketing Association, including all subsidiaries of
19 such Holding Company, created pursuant to section
20 440 of this Act,”.

21 (2) REPEAL OF THE ASSOCIATION’S CHAR-
22 TER.—Effective on the dissolution date (as defined
23 in section 440(h)(2) of the Higher Education Act of
24 1965, as added by subsection (a)), section 439 of

1 the Higher Education Act of 1965 (20 U.S.C. 1087–
2 2) is repealed.

3 **TITLE II—COLLEGE CONSTRU-**
4 **CTION LOAN INSURANCE ASSO-**
5 **CIATION**

6 **SEC. 201. PRIVATIZATION OF COLLEGE CONSTRUCTION**
7 **LOAN INSURANCE ASSOCIATION.**

8 (a) REPEAL OF STATUTORY RESTRICTIONS.—Part D
9 of title VII of the Higher Education Act of 1965 (20
10 U.S.C. 1132f et seq.) is repealed.

11 (b) STATUS OF THE CORPORATION.—

12 (1) STATUS OF THE CORPORATION.—The Cor-
13 poration shall not be an agency, instrumentality, or
14 establishment of the United States Government and
15 shall not be a “Government corporation” nor a
16 “Government controlled corporation” as defined in
17 section 103 of title 5, United States Code. No action
18 under section 1491 of title 28, United States Code
19 (commonly known as the Tucker Act) shall be allow-
20 able against the United States based on the actions
21 of the Corporation.

22 (2) CORPORATE POWERS.—The Corporation
23 shall have the power to engage in any business or
24 other activities for which corporations may be orga-
25 nized under the laws of any State of the United

1 States or the District of Columbia. The Corporation
2 shall have the power to enter into contracts, to exe-
3 cute instruments, to incur liabilities, to provide prod-
4 ucts and services, and to do all things as are nec-
5 essary or incidental to the proper management of its
6 affairs and the efficient operation of a private, for-
7 profit business.

8 (c) RELATED PRIVATIZATION REQUIREMENTS.—

9 (1) NOTICE REQUIREMENTS.—During the 5-
10 year period following the date of the enactment of
11 this Act, the Corporation shall include in any docu-
12 ment offering the Corporation’s securities a state-
13 ment that—

14 (A) the Corporation is not a Government-
15 sponsored enterprise or instrumentality of the
16 United States; and

17 (B) the Corporation’s obligations are not
18 guaranteed by the full faith and credit of the
19 United States.

20 (2) CORPORATE CHARTER.—The Corporation’s
21 charter shall be amended as necessary and without
22 delay to conform the requirements of this Act.

23 (3) CORPORATE NAME.—The name of the Cor-
24 poration, or of any direct or indirect subsidiary

1 thereof, may not contain the term “College Con-
2 struction Loan Insurance Association”.

3 (4) ARTICLES OF INCORPORATION.—The Cor-
4 poration shall amend its articles of incorporation
5 without delay to reflect that one of the purposes of
6 the Corporation shall be to guarantee, insure and re-
7 insure bonds, leases, and other evidences of debt of
8 educational institutions, including Historically Black
9 Colleges and Universities and other academic insti-
10 tutions which are ranked in the lower investment
11 grade category using a nationally recognized credit
12 rating system.

13 (5) TRANSITION REQUIREMENTS.—

14 (A) REQUIREMENTS UNTIL STOCK SALE.—

15 Notwithstanding subsection (a), the require-
16 ments of section 754 of the Higher Education
17 Act of 1965 (20 U.S.C. 1132f-3), as in exist-
18 ence as of the day before enactment of this Act,
19 shall continue to be effective until the day im-
20 mediately following the date of closing of the
21 purchase of the Secretary’s stock (or the date
22 of closing of the final purchase, in the case of
23 multiple transactions) pursuant to subsection
24 (d) of this section.

1 (B) REPORTS AFTER STOCK SALE.—The
2 Corporation shall, not later than March 30 of
3 the first full calendar year immediately follow-
4 ing the sale pursuant to subsection (d), and
5 each of the 2 succeeding years, submit to the
6 Secretary of Education a report describing the
7 Corporation’s efforts to assist in the financing
8 of education facilities projects, including
9 projects for elementary, secondary, and post-
10 secondary educational institution infrastructure,
11 and detailing, on a project-by-project basis, the
12 Corporation’s business dealings with edu-
13 cational institutions that are rated by a nation-
14 ally recognized statistical rating organization at
15 or below the organization’s third highest rat-
16 ings.

17 (d) SALE OF FEDERALLY OWNED STOCK.—

18 (1) SALE OF STOCK REQUIRED.—The Secretary
19 of the Treasury shall, upon the request of the Sec-
20 retary of Education sell, pursuant to section 324 of
21 title 31, United States Code, the voting common
22 stock of the Corporation owned by the Secretary of
23 Education not later than one year after the date of
24 the enactment of this Act.

1 (2) PURCHASE BY THE CORPORATION.—In the
2 event that the Secretary of the Treasury is unable
3 to sell the voting common stock, or any portion
4 thereof, at a price acceptable to the Secretary of
5 Education and the Secretary of the Treasury within
6 the period specified in paragraph (1), the Corpora-
7 tion shall purchase such stock at a price determined
8 by the Secretary of the Treasury and acceptable to
9 the Corporation based on independent appraisal by
10 one or more nationally recognized financial advisory
11 firms. Such firms shall be selected by the Secretary
12 of the Treasury in consultation with the Secretary of
13 Education and the Corporation.

14 (e) ASSISTANCE BY THE CORPORATION.—The Cor-
15 poration shall provide such assistance as the Secretary of
16 the Treasury and the Secretary of Education may require
17 to facilitate the sale of the stock under this section.

18 (f) DEFINITION.—As used in this section, the term
19 “Corporation” means the Corporation established pursu-
20 ant to the provision of law repealed by subsection (a).

1 **TITLE III—GENERAL PROVI-**
2 **SIONS RELATING TO STU-**
3 **DENT ASSISTANCE PRO-**
4 **GRAMS**

5 **SEC. 301. AMENDMENT TO HIGHER EDUCATION ACT.**

6 Section 481(b)(6) of the Higher Education Act of
7 1965 (20 U.S.C. 1088(b)(6)) is amended by striking “(6)
8 which has” and all that follows through the period and
9 insert the following: “which has at least 15 percent of total
10 institutional revenues from all sources, including all con-
11 tract training and education revenue, that are not derived
12 from funds under this title, as certified by the institution’s
13 independent auditor using generally accepted accounting
14 practices. For the purposes of determining an institution’s
15 eligibility under this subsection, the Secretary shall not
16 retroactively review any institution’s fiscal year which
17 began prior to April 30, 1994.”.

18 **TITLE IV—REPEALERS AND**
19 **OTHER AMENDMENTS**

20 **SEC. 401. HIGHER EDUCATION PROVISIONS.**

21 (a) HIGHER EDUCATION ACT OF 1965 PROVI-
22 SIONS.—The following provisions of the Higher Education
23 Act of 1965 are repealed:

24 (1) Part B of title I (20 U.S.C. 1011 et seq.),
25 relating to articulation agreements.

1 (2) Part C of title I (20 U.S.C. 1015 et seq.),
2 relating to access and equity to education for all
3 Americans through telecommunications.

4 (3) Title II (20 U.S.C. 1021 et seq.), relating
5 to academic libraries and information services.

6 (4) Chapter 2 of subpart 2 of part A of title IV
7 (20 U.S.C. 1070a–21 et seq.), relating to national
8 early intervention scholarships.

9 (5) Chapter 3 of subpart 2 of part A of title IV
10 (20 U.S.C. 1070a–31 et seq.), relating to presi-
11 dential access scholarships.

12 (6) Chapter 4 of subpart 2 of part A of title IV
13 (20 U.S.C. 1070a–41 et seq.), relating to model pro-
14 gram community partnerships and counseling
15 grants.

16 (7) Chapter 5 of subpart 2 of part A of title IV
17 (20 U.S.C. 1070a–52 et seq.), relating to a database
18 and information line concerning student financial as-
19 sistance.

20 (8) Chapter 8 of subpart 2 of part A of title IV
21 (20 U.S.C. 1070a–81), relating to technical assist-
22 ance for teachers and counselors.

23 (9) Subpart 4 of part A of title IV (20 U.S.C.
24 1070c et seq.), relating to State student incentive
25 grants.

1 (10) Subpart 5 of part A of title IV of the
2 Higher Education Act of 1965 (20 U.S.C. 1070d–
3 2).

4 (11) Subpart 8 of part A of title IV (20 U.S.C.
5 1070f), relating to special child care services for dis-
6 advantaged college students.

7 (12) Section 428J (20 U.S.C. 1078–10), relat-
8 ing to loan forgiveness for teachers, individuals per-
9 forming national community service and nurses.

10 (13) Section 486 (20 U.S.C. 1093), relating to
11 training in financial aid services.

12 (14) Subpart 1 of part H of title IV (20 U.S.C.
13 1099a et seq.) relating to State postsecondary re-
14 view entity programs.

15 (15) Part A of title V (20 U.S.C. 1102 et seq.),
16 relating to State and local programs for teacher ex-
17 cellence.

18 (16) Part B of title V (20 U.S.C. 1103 et seq.),
19 relating to national teacher academies.

20 (17) Subpart 1 of part C of title V (20 U.S.C.
21 1104 et seq.), relating to Douglas teacher scholar-
22 ships.

23 (18) Subpart 3 of part C of title V (20 U.S.C.
24 1106 et seq.), relating to the teacher corps.

1 (19) Subpart 3 of part D of title V (20 U.S.C.
2 1109 et seq.), relating to class size demonstration
3 grants.

4 (20) Subpart 4 of part D of title V (20 U.S.C.
5 1110 et seq.), relating to middle school teaching
6 demonstration programs.

7 (21) Subpart 1 of part E of title V (20 U.S.C.
8 1111 et seq.), relating to new teaching careers.

9 (22) Subpart 1 of part F of title V (20 U.S.C.
10 1113 et seq.), relating to the national mini corps
11 programs.

12 (23) Section 586 (20 U.S.C. 1114), relating to
13 demonstration grants for critical language and area
14 studies.

15 (24) Section 587 (20 U.S.C. 1114a), relating to
16 development of foreign languages and cultures in-
17 structional materials.

18 (25) Subpart 3 of part F of title V (20 U.S.C.
19 1115), relating to small State teaching initiatives.

20 (26) Subpart 4 of part F of title V (20 U.S.C.
21 1116), relating to faculty development grants.

22 (27) Subpart 5 of part F of title V (20 U.S.C.
23 1117), relating to early childhood staff training and
24 professional enhancement.

1 (28) Section 605 (20 U.S.C. 1124a), relating to
2 intensive summer language institutes.

3 (29) Section 607 (20 U.S.C. 1125a), relating to
4 foreign language periodicals.

5 (30) Part A of title VII (20 U.S.C. 11326 et
6 seq.), relating to academic and library facilities.

7 (31) Title VIII (20 U.S.C. 1133 et seq.), relat-
8 ing to cooperative education programs.

9 (32) Part A of title IX (20 U.S.C. 1134a et
10 seq.), relating to women and minority participation
11 in graduate education.

12 (33) Part B of title IX (20 U.S.C. 1134d et
13 seq.), relating to Harris fellowships.

14 (34) Part C of title IX (20 U.S.C. 1134h et
15 seq.), relating to Javits fellowships.

16 (35) Part E of title IX (20 U.S.C. 1134r et
17 seq.), relating to the faculty development fellowship
18 program.

19 (36) Part F of title IX (20 U.S.C. 1134s et
20 seq.), relating to legal training for the disadvan-
21 taged.

22 (37) Part G of title IX (20 U.S.C. 1134u et
23 seq.), relating to law school clinical programs.

24 (38) Section 1011 (20 U.S.C. 1135a–11), relat-
25 ing to special projects in areas of national need.

1 (39) Subpart 2 of part B of title X (20 U.S.C.
2 1135c et seq.), relating to science and engineering
3 access programs.

4 (40) Part C of title X (20 U.S.C. 1135e et
5 seq.), relating to women and minorities science and
6 engineering outreach demonstration programs.

7 (41) Part D of title X (20 U.S.C. 1135f), relat-
8 ing to Eisenhower leadership programs.

9 (42) Title XI (20 U.S.C. 1136 et seq.), relating
10 to community service programs.

11 (b) EDUCATION AMENDMENTS OF 1986 PROVI-
12 SIONS.—The following provisions of the Education
13 Amendments of 1986 are repealed:

14 (1) Part E of title XIII (20 U.S.C. 1221–1
15 note), relating to a National Academy of Science
16 study.

17 (2) Title XV (20 U.S.C. 4401 et seq.), relating
18 to American Indian, Alaska Native, and Native Ha-
19 waiian culture and art development.

20 (c) EDUCATION AMENDMENTS OF 1992 PROVI-
21 SIONS.—The following provisions of the Education
22 Amendments of 1992 are repealed:

23 (1) Part F of title XIII (25 U.S.C. 3351 et
24 seq.), relating to American Indian postsecondary
25 economic development scholarships.

1 (2) Part G of title XIII (25 U.S.C. 3371), re-
2 relating to American Indian teacher training.

3 (3) Section 1406 (20 U.S.C. 1221e-1 note), re-
4 relating to a national survey of factors associated with
5 participation.

6 (4) Section 1409 (20 U.S.C. 1132a note), relat-
7 ing to a study of environmental hazards in institu-
8 tions of higher education.

9 (5) Section 1412 (20 U.S.C. 1101 note), relat-
10 ing to a national job bank for teacher recruitment.

11 (6) Part B of title XV (20 U.S.C. 1452 note),
12 relating to a national clearinghouse for postsecond-
13 ary education materials.

14 (7) Part C of title XV (20 U.S.C. 1101 note),
15 relating to school-based decisionmakers.

16 (8) Part D of title XV (20 U.S.C. 1145h note),
17 relating to grants for sexual offenses education.

18 (9) Part E of title XV (20 U.S.C. 1070 note),
19 relating to Olympic scholarships.

20 (10) Part G of title XV (20 U.S.C. 1070a-11
21 note), relating to advanced placement fee payment
22 programs.

23 (d) CONFORMING AMENDMENTS.—The Higher Edu-
24 cation Act of 1965 is amended—

25 (1) in section 453(c)(2)—

1 (A) by striking subparagraph (E); and

2 (B) by redesignating subparagraphs (F)
3 through (H) as subparagraphs (E) through (G),
4 respective;

5 (2) in section 487(a)(3), by striking subpara-
6 graph (B) and redesignating subparagraphs (C) and
7 (D) as subparagraphs (B) and (C), respectively;

8 (3) in section 487(a)(15), by striking “the Sec-
9 retary of Veterans Affairs, and State review entities
10 under subpart 1 of part H” and inserting “and the
11 Secretary of Veterans Affairs”;

12 (4) in section 487(a)(21), by striking “, State
13 postsecondary review entities,”;

14 (5) in section 487(c)(1)(A)(i), by striking
15 “State agencies, and the State review entities re-
16 ferred to in subpart 1 of part H” and inserting “and
17 State agencies”;

18 (6) in section 487(c)(4), by striking “, after
19 consultation with each State review entity designated
20 under subpart 1 of part H,”;

21 (7) in section 487(c)(5), by striking “State re-
22 view entities designated under subpart 1 of part
23 H,”;

24 (8) in section 496(a)(7), by striking “and the
25 appropriate State postsecondary review entity”;

1 (9) in section 496(a)(8), by striking “and the
2 State postsecondary review entity of the State in
3 which the institution of higher education is located”;

4 (10) in section 498(g)(2), by striking everything
5 after the first sentence;

6 (11) in section 498A(a)(2)(D), by striking “by
7 the appropriate State postsecondary review entity
8 designated under subpart 1 of this part or”;

9 (12) in section 498A(a)(2)—

10 (A) by inserting “and” after the semicolon
11 at the end of subparagraph (E);

12 (B) by striking subparagraph (F); and

13 (C) by redesignating subparagraph (G) as
14 subparagraph (F); and

15 (13) in section 498A(a)(3)—

16 (A) by inserting “and” after the semicolon
17 at the end of subparagraph (C);

18 (B) by striking “; and” at the end of sub-
19 paragraph (D) and inserting a period; and

20 (C) by striking subparagraph (E).

21 **SEC. 402. EFFECTIVE DATE.**

22 The repeals and amendments made by this title shall
23 take effect on October 1, 1996.

○

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