

109TH CONGRESS  
1ST SESSION

# H. R. 555

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

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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

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## 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 lender  
2           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 financial  
6                   aid for students attending such institution;  
7                   

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

9                   “(iii) shall make loans to not more  
10                  than 50 percent of the undergraduate students  
11                  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 financing,  
17                  servicing, administration, or administration of  
18                  loans under this title on a competitive basis;  
19                  

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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