

**AMENDMENT TO THE AMENDMENT IN THE
 NATURE OF A SUBSTITUTE TO H.R. 609
 OFFERED BY MR. KILDEE OF MICHIGAN AND MR.
 VAN HOLLEN OF MARYLAND**

Schools as lenders

In section 429 of the Amendment, strike subsection (k) and insert the following:

1 (k) SCHOOLS AS LENDERS.—Paragraph (2) of sec-
 2 tion 435(d) (20 U.S.C. 1085(d)(2)) is amended to read
 3 as follows:

4 “(2) REQUIREMENTS FOR ELIGIBLE INSTITU-
 5 TIONS.—

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

8 “(i) shall employ at least one person
 9 whose full-time responsibilities are limited
 10 to the administration of programs of finan-
 11 cial aid for students attending such institu-
 12 tion;

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

14 “(iii) shall not—

15 “(I) make a loan to any under-
 16 graduate student;



1 “(II) make a loan other than a
2 loan under section 428 or 428H to a
3 graduate or professional student; or

4 “(III) make a loan to a borrower
5 who is not enrolled at that institution;

6 “(iv) shall award any contract for fi-
7 nancing, servicing, or administration of
8 loans under this title on a competitive
9 basis;

10 “(v) shall offer loans which carry an
11 origination fee or an interest rate, or both,
12 that are less than such fee or rate author-
13 ized under the provisions of this title;

14 “(vi) shall not have a cohort default
15 rate (as defined in section 435(m)) greater
16 than 10 percent;

17 “(vii) shall, for any year for which the
18 institution engages in activities as an eligi-
19 ble lender, provide for a compliance audit
20 conducted in accordance with section
21 428(b)(1)(U)(iii)(I), and the regulations
22 thereunder, and submit the results of such
23 audit to the Secretary; and

24 “(viii) shall use any proceeds from
25 special allowance payments and interest



1 payments from borrowers, interest sub-
2 sidies received from the Department of
3 Education, and any proceeds from the sale
4 or other disposition of loans, for need-
5 based grant programs.

6 “(B) ADMINISTRATIVE EXPENSES.—An el-
7 igible lender under subparagraph (A) shall be
8 permitted to use a portion of the proceeds de-
9 scribed in subparagraph (A)(viii) for reasonable
10 and direct administrative expenses.

11 “(C) SUPPLEMENT, NOT SUPPLANT.—An
12 eligible lender under subparagraph (A) shall en-
13 sure that the proceeds described in subpara-
14 graph (A)(viii) are used to supplement, and not
15 to supplant, non-Federal funds that would oth-
16 erwise be used for need-based grant pro-
17 grams.”.

