"(2) Loans to institutions under this section may be made upon such terms and conditions, consistent with applicable provisions of section 204, as the Commissioner deems appropriate, including a requirement that the proceeds of such loan be deposited by the institution in a separate student loan fund established and maintained, in accordance with regulations, solely for operations on connection therewith (or, in accordance with such regulations, in a segregated account so established and maintained within a student loan fund established pursuant to an agreement under section 204, in which event such account shall be treated as a separate fund for the purposes of this title). If the Commissioner deems it to be necessary to assure that the purposes of this section will be achieved, these terms and conditions may also include provisions making the institution's obligation to the Commissioner on such a loan payable solely from such revenues or other assets or security (including collections on loans to students) as the Commissioner may approve. Such a loan shall bear interest at a rate which the Commissioner determines to be adequate to cover (A) the cost of the funds to the Treasury as determined by the Secretary of the Treasury, taking into consideration the current average yields of outstanding marketable obligations of the United States having maturities comparable to the maturities of loans made by the Commissioner under this section, (B) the estimated cost of administering this section, and (C) probable losses.

"PAYMENTS TO INSTITUTIONS TO COVER CERTAIN COSTS INCURRED IN MAKING STUDENT LOANS FROM BORROWED FUNDS

"(b) If an institution of higher education borrows from the Commissioner from the national defense education loan fund established under subsection (d), the Commissioner shall agree to pay to the institution (1) an amount equal to 90 per centum of the loss to the institution from defaults on student loans made from the student loan fund (or account) established pursuant to paragraph (2) of subsection (a), (2) the amount by which the interest payable by the institution on the Commissioner's loan exceeds the interest received by it on student loans made from such student loan fund (or account), (3) an amount equal to so much of the expenses of the institution arising out of its operation of such student loan fund (or account) as would be allowable under paragraphs (3) (C) and (D) of section 204 if such fund (or account) were established under that section, and (4) the amount of principal which is canceled persuant to section 205(b) (3) with respect to student loans made from such student loan fund (or account). There are authorized to be appropriated without fiscal-year limitations such sums as may be necessary to carry out the purposes of this subsection.

"LIMITATION ON LOANS FROM REVOLVING FUND

"(c) The total of the loans made in any fiscal year from the national defense education loan fund established by subsection (d) shall not exceed such limitations as may be specified for such year in Appropriation Acts.

"REVOLVING FUND

"(d) (1) There is hereby created within the Treasury a national defense education loan fund (hereafter in this section called the fund) which shall be available to the Commissioner without fiscal-year limitation as a revolving fund for the purposes of this section. A business-type budget for the fund shall be prepared, transmitted to the Congress, considered and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act, 31 U.S.C. 847–849) for wholly owned Government corporations.

"(2) The fund shall consist of appropriations paid into the fund pursuant to section 201, all amounts received by the Commissioner as interest payments or repayments of principal on loans, and any other moneys, property, or assets derived by him from his operations in connection with this section (other than subsection (b)), including any moneys derived directly or indirectly from the sale of assets, or beneficial interests or participations in assets, of the fund.

"(3) All loans, expenses (other than normal administrative expenses), and payments pursuant to operations of the Commissioner under this section (other than subsection (b)) shall be paid from the fund, including (but not limited to) expenses and payments of the Commissioner in connection with the sale, under section 302 (c) of the Federal National Mortgage Association Charter Act, of