



Senate

General Assembly

File No. 122

February Session, 2010

Substitute Senate Bill No. 57

Senate, March 25, 2010

The Committee on Banks reported through SEN. DUFF of the 25th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING EDUCATION LOANS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 10a-225 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2010*):

4 (a) The purpose of the authority shall be to assist borrowers and
5 Connecticut institutions for higher education in the financing and
6 refinancing of the costs of education and for this purpose the authority
7 is authorized and empowered:

8 (1) To adopt bylaws for the regulation of its affairs and the conduct
9 of its business.

10 (2) To adopt an official seal and alter the same at pleasure.

11 (3) To maintain an office at such place or places in the state as it may
12 designate.

13 (4) To sue and be sued in its own name, plead and be impleaded.

14 (5) To establish criteria and guidelines for education loan financing
15 programs. Such criteria and guidelines shall include such eligibility
16 standards for borrowers as the authority shall determine are necessary
17 or desirable in order to effectuate the purposes of this chapter,
18 including the following: (A) Each student shall have a certificate of
19 admission or enrollment at an institution for higher education, (B) each
20 student, or the parents of each student, shall satisfy such financial
21 qualifications as the authority shall establish to effectuate the purposes
22 of this chapter, and (C) each student, and the parents of each student,
23 shall submit to the student's institution for higher education or to the
24 authority, as the authority may determine, such information as may be
25 required by the authority.

26 (6) To establish specific criteria governing the eligibility of
27 Connecticut institutions for higher education to participate in its
28 programs, the making of authority loans and education loans,
29 provisions for default, the establishment of default reserve funds, the
30 purchase of default insurance, the provision by such institutions of
31 prudent debt service reserves, the furnishing by Connecticut
32 institutions for higher education and others of such additional
33 guarantees of the education loans, authority loans or the bonds as the
34 authority shall determine and any procedures for allocating authority
35 loans among Connecticut institutions for higher education eligible for
36 the program of the authority in order to effectuate the purpose of this
37 chapter. All such criteria shall be established to assure the
38 marketability of the bonds and the adequacy of the security for the
39 bonds. The criteria governing the eligibility of Connecticut institutions
40 for higher education shall include limitations upon the principal
41 amounts and the terms of education loans and qualifications and
42 characteristics of borrowers. From October 1, 2010, to October 1, 2012,
43 inclusive, the criteria governing the provisions for default on an
44 education loan shall include a prohibition against the authority
45 initiating collections actions against a student while such student is
46 enrolled in an institution of higher education, provided such student

47 (A) has cured a default on such a loan made by the authority, or (B) is
48 in default on such a loan made by the authority, but is making
49 reasonable efforts, as determined by the authority, to cure the default
50 on such loan in a timely manner.

51 (7) To establish guidelines, criteria and procedures not in conflict
52 with existing statutes with respect to authority loans, education loans
53 and education loan series portfolios. Such guidelines, criteria and
54 procedures shall not be construed as regulations within the scope of
55 chapter 54.

56 (8) To receive and accept from any source loans, contributions or
57 grants, including money, property, labor, and other things of value
58 from any source for or in aid of an authority education loan financing
59 program or any portion thereof and, when desirable, to use such
60 funds, property or labor only for the purposes for which it was loaned,
61 contributed or granted.

62 (9) To contract with guarantors, financial institutions or other
63 qualified loan origination and servicing organizations, which shall
64 assist in prequalifying borrowers for education loans and which shall
65 service and administer each education loan. The authority may require
66 that each borrower be charged a fee to defray the costs of origination,
67 servicing and administration of education loans. The amount and
68 method of collection of such fee shall be determined by the authority.
69 Participating institutions for higher education may perform any of the
70 acts described in this subdivision, or contract for their performance by
71 others, if these acts are authorized by the authority.

72 (10) To contract with a guarantor to provide security for the
73 payment of education loans through the issuance of insurance against
74 default or to provide a guarantee of payment covering all or a portion
75 of any education loan made by or on behalf of the authority or by or on
76 behalf of a participating institution for higher education from the
77 proceeds of an authority loan.

78 (11) To employ attorneys, accountants, consultants, financial

79 experts, loan processors, banks, managers, and such other employees
80 and agents as may be necessary in its judgment, and to fix their
81 compensation.

82 (12) To make authority loans, including loans on which interest may
83 accrue and periodically be added to the principal of such loan and be
84 subject to additional interest, and to require that the proceeds be used
85 in accordance with guidelines established by the authority for making
86 education loans and paying costs and fees in connection therewith.

87 (13) To charge and equitably apportion among participating
88 institutions for higher education its administrative costs and expenses
89 incurred in the exercise of the powers and duties granted by this
90 chapter.

91 (14) To borrow working capital funds and other funds as may be
92 necessary for start-up and continuing operations, as long as such funds
93 are borrowed in the name of the authority only. Such borrowings shall
94 be limited obligations of the character described in section 10a-232 and
95 shall be payable solely from revenues of the authority or the proceeds
96 of bonds pledged for that purpose.

97 (15) Notwithstanding any other provisions of this chapter, to
98 commingle and pledge as security for a series or issue of bonds, only
99 with the consent of all of the Connecticut institutions for higher
100 education which are participating in such series or issue: (A) The
101 education loan series portfolios and some or all future education loan
102 series portfolios of the authority or of such institutions for higher
103 education, and (B) the loan funding deposits of such institutions,
104 provided education loan series portfolios and other security and
105 moneys set aside in any fund or funds pledged for any series of bonds
106 or issue of bonds shall be held for the sole benefit of such series or
107 issues separate and apart from education loan series portfolios and
108 other security and moneys pledged for any other series or issue of
109 bonds of the authority. Bonds may be issued in series under one or
110 more resolutions or trust agreements in the discretion of the authority.

111 (16) To examine records and financial reports of institutions for
 112 higher education, and to examine records and financial reports of any
 113 person, organization or institution retained under subdivision (9), (10)
 114 or (11) of this subsection.

115 (17) To do all things necessary or convenient to carry out the
 116 purposes of this chapter. In carrying out the purposes of this chapter,
 117 the authority may issue bonds, the proceeds of which are used to make
 118 authority loans. In the event all or a portion of such proceeds are
 119 loaned to one or more participating institutions for higher education or
 120 to any combination of participating institutions for higher education,
 121 all other provisions of this chapter shall apply to and for the benefit of
 122 the authority and the participants in such joint project or projects. Any
 123 such joint participation requires the express approval of all
 124 participants.

125 (18) To make and enter into all contracts and agreements necessary
 126 or incidental to the performance of its duties and the execution of its
 127 powers under this chapter, including contracts and agreements for
 128 such professional services as the board of directors shall deem
 129 necessary, including, but not limited to, financial consultants, bond
 130 counsel, underwriters and technical specialists and investment
 131 agreements, as provided in section 10a-238.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2010	10a-225(a)

BA *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill restricts the authority of the Connecticut Higher Education Supplemental Loan Authority (CHESLA) to initiate collections actions against various students who default on student loans. The bill does not result in a state fiscal impact.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**sSB 57*****AN ACT CONCERNING EDUCATION LOANS.*****SUMMARY:**

This bill places restrictions on the authority of the Connecticut Higher Education Supplemental Loan Authority (CHESLA) to initiate collections actions against a student who defaults on a CHESLA student loan while enrolled in a higher education institution. For two years, from October 1, 2010 until October 1, 2012, CHESLA cannot initiate a collection action against a student who (1) has cured a default on a CHESLA loan or (2) is in default on a CHESLA loan, but is making reasonable efforts (as determined by CHESLA) to cure that default in a timely manner.

EFFECTIVE DATE: October 1, 2010

BACKGROUND***CHESLA Loans***

CHESLA loans are available, subject to credit requirements and other restrictions, to (1) students enrolled in Connecticut nonprofit colleges or universities and (2) Connecticut residents attending nonprofit colleges or universities in other states. CHESLA loans are available for undergraduate, graduate, and professional study.

COMMITTEE ACTION

Banks Committee

Joint Favorable Substitute

Yea 16 Nay 1 (03/11/2010)