



General Assembly

February Session, 2010

Raised Bill No. 57

LCO No. 591

00591_____BA_

Referred to Committee on Banks

Introduced by:
(BA)

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2 repealed and the following is substituted in lieu thereof (*Effective*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. The criteria governing the provisions for
43 default on an education loan shall include a prohibition against the
44 authority initiating collections actions against a student who is in
45 default on such a loan made by the authority while such student is
46 enrolled in an institution of higher education in this state.

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

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

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

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

74 (11) To employ attorneys, accountants, consultants, financial
75 experts, loan processors, banks, managers, and such other employees
76 and agents as may be necessary in its judgment, and to fix their
77 compensation.

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

83 (13) To charge and equitably apportion among participating
84 institutions for higher education its administrative costs and expenses
85 incurred in the exercise of the powers and duties granted by this
86 chapter.

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

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

107 (16) To examine records and financial reports of institutions for
108 higher education, and to examine records and financial reports of any
109 person, organization or institution retained under subdivision (9), (10)

110 or (11) of this subsection.

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

121 (18) To make and enter into all contracts and agreements necessary
122 or incidental to the performance of its duties and the execution of its
123 powers under this chapter, including contracts and agreements for
124 such professional services as the board of directors shall deem
125 necessary, including, but not limited to, financial consultants, bond
126 counsel, underwriters and technical specialists and investment
127 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)

Statement of Purpose:

To prevent the Connecticut Higher Education Supplemental Loan Authority from initiating a collections action against an individual who defaults on an education loan while such individual is enrolled in an institution of higher education in this state.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]