



House Bill No. 6907

Public Act No. 15-200

AN ACT CONCERNING THE DUTIES AND AUTHORITY OF THE CONNECTICUT HIGHER EDUCATION SUPPLEMENTAL LOAN AUTHORITY.

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

Section 1. Section 10a-223 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

In this chapter, the following words and terms shall have the following meanings unless the context indicates another or different meaning or intent:

(1) "Authority" means the Connecticut Higher Education Supplemental Loan Authority constituted as a subsidiary of the Connecticut Health and Educational Facilities Authority as provided in section 10a-179a, as amended by this act;

(2) "Authorized officer" means an employee of the Connecticut Health and Educational Facilities Authority or of the authority who is authorized by the board of directors of the authority to execute and deliver documents and papers and to act in the name of and on behalf of the authority;

(3) "Authority loans" means education loans by the authority, or

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loans by the authority from the proceeds of bonds for the purpose of funding education loans;

(4) "Board" means the board of directors of the authority;

(5) "Bonds" or "revenue bonds" means revenue bonds or notes of the authority issued under the provisions of this chapter, including revenue refunding bonds or notes;

(6) "Bond resolution" means the resolution or resolutions of the authority and the trust agreement, if any, authorizing the issuance of and providing for the terms and conditions applicable to bonds;

(7) "Borrower" means [a student and any parent who has received or agreed to pay an education loan] (A) an individual who has an outstanding loan from the authority, (B) an individual who attends a Connecticut institution for higher education or currently resides in the state, and has received or agreed to pay an education loan, or (C) any parent who has received or agreed to pay an education loan on behalf of an individual who attends a Connecticut institution for higher education or currently resides in the state;

(8) "Connecticut Health and Educational Facilities Authority" means the quasi-public authority established pursuant to section 10a-179;

(9) "Connecticut institution for higher education" means an institution for higher education within the state;

(10) "Default insurance" means insurance insuring education loans, authority loans or bonds against default;

(11) "Default reserve fund" means a fund established pursuant to a bond resolution for the purpose of securing education loans, authority loans or bonds;

(12) "Education loan" means a loan which is made [by the authority

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to a student in or from the state, or the parents of such a student, or both, to finance the attendance of the student at an institution for higher education, or a loan by or on behalf of a participating institution for higher education from the proceeds of an authority loan, to a student, or the parents of a student, or both, to finance the student's attendance at such institution] to a student in or from the state or a parent of such student to finance attendance at an institution for higher education or to a borrower to refinance one or more eligible loans;

(13) "Loan funding deposit" means moneys or other property deposited by a Connecticut institution for higher education with the authority, a guarantor or a trustee for the purpose of (A) providing security for bonds, (B) funding a default reserve fund, (C) acquiring default insurance, or (D) defraying costs of the authority, such moneys or properties to be in such amounts as deemed necessary by the authority or guarantor as a condition for such institution's participation in the authority's programs;

(14) "Institution for higher education" means a degree-granting educational institution within the United States authorized by applicable law to provide a program of education beyond the high school level and (A) described in Section 501(c)(3) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, and exempt from taxation under Section 501(a) of said code with respect to a trade or business carried on by such institution which is not an unrelated trade or business, determined by applying Section 513(a) of said code to such organization or a foundation established for its benefit, or (B) exempt from taxation under said code as a governmental unit;

(15) "Participating institution for higher education" means a Connecticut institution for higher education which, pursuant to the provisions of this chapter, undertakes the financing directly or

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indirectly of education loans as provided in this chapter;

(16) "Parent" means any parent, legal guardian or sponsor of a student at an institution for higher education;

(17) "Education loan series portfolio" means all education loans made by the authority or by or on behalf of a specific participating institution for higher education which are funded from the proceeds of a related specific bond issue of the authority; [.]

(18) "Education assistance program" means a program to assist in financing the costs of education through education loans or education grants, or both;

(19) "Education grant" means a grant, scholarship, fellowship or other nonrepayable assistance awarded by the authority to a student currently residing in the state to finance the attendance of the student at a Connecticut institution for higher education, or a grant, scholarship, fellowship or other nonrepayable assistance awarded by or on behalf of a Connecticut institution for higher education from the proceeds of funds provided by the authority to a student from the state to finance the student's attendance at such institution; and

(20) "Eligible loan" means any loan that is in repayment that was (A) made by the authority, or (B) made to a borrower by any other private or governmental lender to finance attendance at an institution for higher education.

Sec. 2. Section 10a-225 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

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

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

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

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

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

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

(6) To establish specific criteria governing (A) the eligibility of Connecticut institutions for higher education to participate in its programs, (B) the making of authority loans, education grants and education loans, (C) provisions for default, (D) the establishment of default reserve funds, (E) the purchase of default insurance, (F) the provision by such institutions of prudent debt service reserves, (G) the furnishing by Connecticut institutions for higher education and others of such additional guarantees of the education loans, authority loans or the bonds as the authority shall determine, and (H) any procedures for allocating authority loans and education grants among Connecticut

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institutions for higher education eligible for the [program] programs of the authority in order to effectuate the purpose of this chapter. All such criteria shall be established to assure the marketability of the bonds and the adequacy of the security for the bonds. The criteria governing the eligibility of Connecticut institutions for higher education shall include limitations upon the principal amounts and the terms of education loans, the amounts and terms of education grants and qualifications and characteristics of borrowers and grant recipients.

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

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

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

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

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

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

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

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

(15) Notwithstanding any other provisions of this chapter, to commingle and pledge as security for a series or issue of bonds, only with the consent of all of the Connecticut institutions for higher education which are participating in such series or issue: (A) The

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education loan series portfolios and some or all future education loan series portfolios of the authority or of such institutions for higher education, and (B) the loan funding deposits of such institutions, provided education loan series portfolios and other security and moneys set aside in any fund or funds pledged for any series of bonds or issue of bonds shall be held for the sole benefit of such series or issues separate and apart from education loan series portfolios and other security and moneys pledged for any other series or issue of bonds of the authority. Bonds may be issued in series under one or more resolutions or trust agreements in the discretion of the authority.

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

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

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

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(b) The authority shall require that authority loans be (1) used solely for the purpose of education loans, and (2) in an amount not to exceed the total cost of attendance, or, in the case of an education loan made to refinance an eligible loan, in an amount not to exceed the outstanding aggregate principal amount of such eligible loan, less other forms of student assistance, as defined by the authority. In determining "other forms of student assistance" the authority may consider [(1)] (A) grants received under any federal or state grant programs, [(2)] (B) loan proceeds received under any federal or other state loan program, [(3)] (C) scholarship, grants or other nonrepayable assistance received from government agencies, educational institutions or organizations, including, but not limited to, the authority, and [(4)] (D) expected family contributions. The authority shall require that each borrower under an education loan shall use the proceeds solely for educational purposes and purposes reasonably related thereto, or for the refinancing of an eligible loan.

(c) Whenever refunding bonds are issued to refund bonds the proceeds of which were used to make authority loans, the authority may reduce the amounts of principal or interest, or both, it is owed by the participating institution for higher education which had received authority loans from the proceeds of the refunded bonds. Such institutions may, or in accordance with guidelines established by the authority shall, use any reduced amount to reduce the amount of interest being paid on education loans which the institution has made pursuant to the authority loans from the proceeds of the refunded bonds.

(d) (1) The authority may develop and require the use of a master promissory note for education loans. Each master promissory note shall allow borrowers to receive, in addition to initial education loans, additional education loans for the same or subsequent periods of enrollment. Each master promissory note shall include a provision

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stating that the note shall be governed by and construed pursuant to the laws of the state of Connecticut.

(2) Notwithstanding any provision of the general statutes or any regulation adopted pursuant to said statutes, each education loan made under a master promissory note pursuant to this subsection may be sold or assigned independently of any other education loan made under the same master promissory note and each such loan shall be separately enforceable on the basis of an original or copy of the master promissory note in accordance with the terms of the master promissory note.

(3) Notwithstanding any provision of the general statutes, each such master promissory note shall be fully negotiable within the meaning and for all purposes of title 42a, regardless of whether the form and character of such master promissory note qualifies under the terms of the provisions of title 42a.

(4) The authority may pledge all or any part of its interest in any such master promissory note or the education loan evidenced by such note as security for any issue of bonds or notes or any other obligations. Such pledge shall be valid and binding from the time when the pledge is made; the interest so pledged by the authority shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the authority or any participating institution for higher education, irrespective of whether such parties have notice of the lien. Such lien shall have priority over all other liens, including, without limitation, the lien of any person who in the ordinary course of business furnishes services or materials to the authority. Notwithstanding the provisions of title 42a, neither the bond resolution nor any financing statement, continuation statement or other instrument by which a pledge or security interest is created or by

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which the authority's interest in such master promissory notes is assigned need be filed in any public records in order to perfect the security interest or lien thereof as against third parties. Any outright sale by the authority of any education loan evidenced by such a master promissory note shall be effective and perfected automatically upon attachment as defined in title 42a.

Sec. 3. Section 10a-230 of the general statutes is amended by adding subsection (h) as follows (*Effective July 1, 2015*):

(NEW) (h) The authority is authorized and empowered to issue bonds, notes or other obligations under this section, the interest on which may be includable in the gross income of the holder or holders of such bonds, notes or obligations under the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, to the same extent and in the same manner that interest on bills, notes, bonds or other obligations of the United States is includable in the gross income of the holder or holders of such bonds, notes or obligations under any such internal revenue code, and to issue bonds, notes or other obligations under this section that may be eligible for tax credits or exemptions or payments from the federal government, or any other desired federal income tax treatment of such bonds, notes or other obligations. Any such bonds, notes or other obligations may be issued only upon a finding by the authority that such issuance is necessary, is in the public interest, and is in furtherance of the purposes and powers of the authority. The state hereby consents to such inclusion only for the bonds, notes or other obligations of the authority so authorized.

Sec. 4. Subsection (b) of section 10a-179a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(b) The Connecticut Higher Education Supplemental Loan

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Authority shall be governed by a board of directors consisting of the following nine members: (1) The State Treasurer, or the Treasurer's designee, who shall serve as an ex-officio voting member; (2) the Secretary of the Office of Policy and Management, or the secretary's designee, who shall serve as an ex-officio voting member; (3) the president of the Board of Regents for Higher Education, or the president's designee, who shall serve as an ex-officio voting member; (4) the chairperson of the board of directors of the Connecticut Health and Educational Facilities Authority; (5) the executive director of [said authority] the Connecticut Health and Educational Facilities Authority; (6) [a member of the board of directors of said authority who] two residents of the state, each of whom is an active or retired trustee, director, officer or employee of a Connecticut institution for higher education, appointed by the board of directors of [said authority] the Connecticut Health and Educational Facilities Authority; (7) [a member of the board of directors of said authority who is an active or retired trustee, director, officer or employee of a Connecticut institution for higher education, appointed by the board of directors of said authority; (8)] a resident of this state with a favorable reputation for skill, knowledge and experience in the higher education loan field, [who shall be] appointed by the board of directors of [said authority] the Connecticut Health and Educational Facilities Authority; and [(9)] (8) a resident of this state with a favorable reputation for skill, knowledge and experience in either the higher education loan field or in state and municipal finance, appointed by the board of directors of [said authority] the Connecticut Health and Educational Facilities Authority. Of the four appointed members, not more than two may be members of the same political party. [The two members who are members of the board of said authority and active or retired trustees, directors, officers or employees of Connecticut institutions for higher education shall serve so long as such member remains a member of the board of said authority or until such time as a successor is appointed.] One appointed member shall serve until the earlier of July 1, 2017, or,

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if such person was a member of the Connecticut Higher Education Supplemental Loan Authority board on June 30, 2012, the date on which such member's then current term was originally scheduled to end. One appointed member shall serve until the earlier of July 1, 2018, or, if such person was a member of the Connecticut Higher Education Supplemental Loan Authority board on June 30, 2012, the date on which such member's then current term was originally scheduled to end. Except as provided in this subsection and notwithstanding the original date of expiration of the term of any person who is an appointed member of the Connecticut Higher Education Supplemental Loan Authority board on June 30, 2012, the term of all such persons shall expire on July 1, 2012. The Connecticut Health and Educational Facilities Authority board shall appoint a member or members each for a term of six years or until his or her successor is appointed and has qualified to succeed the members whose terms expire. Said authority board shall fill any vacancy for the unexpired term. A member of the Connecticut Higher Education Supplemental Loan Authority board shall be eligible for reappointment. Any member of the Connecticut Higher Education Supplemental Loan Authority board may be removed by the appointing authority for misfeasance, malfeasance or wilful neglect of duty. Each member of the Connecticut Higher Education Supplemental Loan Authority board before entering upon his or her duties shall take and subscribe the oath or affirmation required by section 1 of article eleventh of the State Constitution. A record of each such oath shall be filed in the office of the Secretary of the State.

Sec. 5. (*Effective from passage*) On or before February 1, 2016, the chairperson of the board of directors of the Connecticut Higher Education Supplemental Loan Authority shall (1) report, in accordance with the provisions of section 11-4a of the general statutes, to the joint standing committees of the General Assembly having cognizance of matters relating to higher education and banking on the progress

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made by the authority toward targeting lending to those individuals with a demonstrated financial need and effectively serving the highest number of such individuals by means of (A) lowering the interest rate on education loans made by the authority by methods including, but not limited to, making equity contributions to its bond transactions using available funds from the Connecticut Student Loan Foundation, (B) increasing the maximum allowable debt-to-income ratio accepted by the authority for education loans, (C) offering need-based scholarships, and (D) deferring repayment of education loans made by the authority while the borrower or, in the case of a parent borrower, the borrower's child is enrolled on a full or part-time basis in a graduate-degree-granting program, and (2) appear before such committees, at a time prescribed by such committees, to present on such report.

Approved July 2, 2015