

MAINE STATE LEGISLATURE

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126th MAINE LEGISLATURE

FIRST REGULAR SESSION-2013

Legislative Document

No. 351

S.P. 131

In Senate, February 12, 2013

An Act To Authorize the Provision of Insurance on Student Loans

(EMERGENCY)

Submitted by the Finance Authority of Maine pursuant to Joint Rule 204.
Reference to the Committee on Education and Cultural Affairs suggested and ordered printed.

A handwritten signature in black ink, appearing to read 'D M Grant'.

DAREK M. GRANT
Secretary of the Senate

Presented by Senator CAIN of Penobscot.
Cosponsored by Representative FREDETTE of Newport and
Senators: KATZ of Kennebec, LANGLEY of Hancock, MILLETT of Cumberland,
Representatives: BERRY of Bowdoinham, JOHNSON of Greenville, MacDONALD of
Boothbay, MAKER of Calais, POULIOT of Augusta.

1 **Emergency preamble. Whereas,** acts and resolves of the Legislature do not
2 become effective until 90 days after adjournment unless enacted as emergencies; and

3 **Whereas,** Maine students and families need more options to finance higher
4 education as soon as they can be made available; and

5 **Whereas,** if the availability of student loans is uncertain, students may choose not to
6 attend an institution of higher education or may choose to borrow funds that will not
7 feature the advantages of student loans insured by the Finance Authority of Maine, and
8 students and their families may be adversely affected; and

9 **Whereas,** in the judgment of the Legislature, these facts create an emergency within
10 the meaning of the Constitution of Maine and require the following legislation as
11 immediately necessary for the preservation of the public peace, health and safety; now,
12 therefore,

13 **Be it enacted by the People of the State of Maine as follows:**

14 **Sec. 1. 10 MRSA §962, first ¶,** as amended by PL 1985, c. 344, §5, is further
15 amended to read:

16 There is a statewide need to provide enlarged opportunities for gainful employment
17 to the people of the State and to ~~insure~~ ensure the preservation and betterment of the
18 economy and the general health, safety and welfare of the State and its inhabitants; to
19 provide a more healthy environment through the restoration of purity to the air, the water
20 or the earth of the State which are fouled with, among other things, industrial and other
21 waste materials and pollutants, and to ~~insure~~ ensure the preservation and betterment of the
22 living standards and health of its inhabitants; to stimulate a larger flow of private
23 investment funds from banks, investment institutions, insurance companies and other
24 financial institutions, including pension and retirement funds, to help finance planning,
25 development, acquisition, construction, improvement, expansion and placing in operation
26 of industrial, manufacturing, recreational, fishing, agricultural, business and natural
27 resource enterprises and eligible projects of the State and its political subdivisions; and to
28 increase the access of smaller business ~~and~~ and students pursuing postsecondary
29 education to financing at reasonable terms and rates.

30 **Sec. 2. 10 MRSA §969-A, sub-§3,** as enacted by PL 1985, c. 344, §17, is
31 amended to read:

32 **3. Insure.** Insure or guarantee performance of any loan agreement or other
33 obligation, including taking all actions necessary to implement and administer a program
34 of insurance for loans to students pursuing postsecondary education;

35 **Sec. 3. 10 MRSA §1013, sub-§13,** as amended by PL 1997, c. 97, §3, is further
36 amended to read:

37 **13. Higher Education Loan and Loan Insurance Program.** The Higher
38 Education Loan and Loan Insurance Program, as established in Title 20-A, chapter
39 417-C;

1 **Sec. 4. 20-A MRSA §11458**, as enacted by PL 1991, c. 824, Pt. A, §35, is
2 amended to read:

3 **§11458. Program established**

4 There is established the Higher Education Loan and Loan Insurance Program,
5 administered by the Finance Authority of Maine, to carry out the purposes of this chapter.

6 **Sec. 5. 20-A MRSA §11460**, as enacted by PL 1991, c. 824, Pt. A, §35, is
7 amended to read:

8 **§11460. Eligibility**

9 Loans made or insured under this chapter are available only to or for the benefit of a
10 resident of the State or an individual attending an institution of higher education in the
11 State who:

12 **1. Graduated.** Has graduated from an approved secondary school, matriculated at a
13 postsecondary school prior to high school graduation or successfully completed a high
14 school equivalency diploma or its equivalent;

15 **2. Accepted.** Has been accepted for enrollment as an undergraduate or graduate
16 student or is in good standing as an undergraduate or graduate student at an institution of
17 higher education in an eligible program of study ~~and has not previously received the~~
18 ~~degree for which the student is enrolled;~~

19 **3. Application.** Has applied for a loan under the program ~~according to schedules~~
20 ~~and procedures and on forms specified by the authority~~ and has provided or caused to be
21 provided all information determined necessary by the authority in order to determine
22 eligibility;

23 **4. Unmet need.** Has been determined by the authority to have an unmet need for
24 financial assistance that, if not met, will prevent the student from attending the institution
25 of higher education of that student's choice;

26 **5. Residency.** Meets the state residency or school attendance requirements that may
27 be established by the authority by rule; and

28 **6. Loan repayment.** Has been determined by the authority to have a reasonable
29 prospect of being able to repay the loan. In appropriate cases, the authority may allow
30 repayments to be deferred and subordinated to repayment of other student loans for such
31 period of time as may be necessary for the borrower to be able to afford to repay the loan;
32 and

33 ~~**7. Academic standing.** Is maintaining a grade point average of at least 2.0 on a~~
34 ~~scale of 4.0, or the equivalent as determined by the authority, provided, however, that the~~
35 ~~authority may waive the minimum grade point average in the case of a student~~
36 ~~demonstrating special circumstances and a substantial likelihood of improvement.~~

1 **Sec. 6. 20-A MRSA §11461**, as enacted by PL 1991, c. 824, Pt. A, §35, is
2 amended to read:

3 **§11461. Higher Education Loan and Loan Insurance Program Fund**

4 **1. Establishment.** The Higher Education Loan and Loan Insurance Program Fund is
5 established to be used by the authority as a nonlapsing, revolving fund for carrying out
6 this chapter. In its discretion, the authority may combine this fund with other funds of the
7 authority for accounting purposes and may establish separate accounts for loans and for a
8 reserve for loan default payments. Money in the fund currently not needed to meet the
9 obligations of the authority as lender or insurer is deposited with the authority to the
10 credit of the fund or may be invested as provided by law.

11 **2. Charges and credits.** All amounts received or allocated by the authority for
12 deposit to the fund pursuant to this chapter or otherwise must be deposited in the fund.
13 All expenses of the authority in carrying out this chapter, including interest, principal and
14 fee payments required by loan defaults, must be charged to the fund; ~~except that bond~~
15 ~~proceeds and principal repayments must be used only for loans and not for administrative~~
16 ~~expenses of the program or other current expenditures.~~ The authority's liability for those
17 expenses is limited to the fund.

18 **Sec. 7. 20-A MRSA §11463** is enacted to read:

19 **§11463. Insure student loan payments**

20 The authority may make commitments and agreements to insure student loan
21 payments.

22 **1. Loan serviced.** A loan insured by the authority must be serviced as required by
23 the authority.

24 **2. Compliance.** A loan insured by the authority must be in compliance with the
25 student loan insurance credit policy of the authority.

26 **3. Other terms.** A loan insured by the authority may be subject to terms other than
27 those specified in subsections 1 and 2 as may be required by law or by rule of the
28 authority.

29 **Sec. 8. Maine Revised Statutes headnote amended; revision clause.** In the
30 Maine Revised Statutes, Title 20-A, chapter 417-C, in the chapter headnote, the words
31 "higher education loan program" are amended to read "higher education loan and loan
32 insurance program" and the Revisor of Statutes shall implement this revision when
33 updating, publishing or republishing the statutes.

34 **Emergency clause.** In view of the emergency cited in the preamble, this
35 legislation takes effect when approved.

1

SUMMARY

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This bill modifies the Finance Authority of Maine's Higher Education Loan Program

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to specify that the Finance Authority of Maine may provide loan insurance on

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supplemental student loans and renames it the Higher Education Loan and Loan

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Insurance Program.