

# MAINE STATE LEGISLATURE

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(New Draft of H.P. 2128, L.D. 2044)  
(Governor's Bill)  
SECOND REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

**Legislative Document**

**No. 2128**

H. P. 2296 House of Representatives, April 1, 1982  
Reported by Representative Thompson from the Committee on Education and printed under Joint Rules No. 2.

EDWIN H. PERT, Clerk

STATE OF MAINE

IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND EIGHTY-TWO

**AN ACT Permitting the Establishment of  
Student Loan Corporations.**

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

20 MRSA c. 304-A is enacted to read:

CHAPTER 304-A

STUDENT LOAN CORPORATIONS

§2281. Declaration of policy

It is declared to be the policy of this State that, for the benefit of the people of the State, the increase of their commerce, welfare and prosperity and the improvement of their health and living conditions, it is essential that students attending Maine higher educational institutions be given the fullest opportunity to learn and develop their

1 intellectual and mental capacities. It is recognized that  
2 the financial costs to obtain an education beyond the high  
3 school level are often burdensome or prohibitive, and it is  
4 essential that qualified students be provided with low-cost  
5 financial assistance in order to attend those schools and to  
6 reduce the total amount of loan payments following grad-  
7 uation. It is essential that educational institutions  
8 within the State be provided with appropriate additional  
9 means to assist qualified students financially in achieving  
10 the required levels of learning and development of their  
11 intellectual and mental capacities. The Legislature has  
12 conferred certain powers on student loan corporations and on  
13 the Maine Health and Higher Educational Facilities Authority  
14 to assure the successful origination, distribution and col-  
15 lection of loans so as to accomplish the purposes of this  
16 chapter, all to the public benefit and good. It is declared  
17 that the exercise by the student loan corporations of the  
18 authority of powers conferred under this chapter will con-  
19 stitute the performance of an essential governmental func-  
20 tion.

21 §2282. Definitions

22 As used in this chapter, unless the context otherwise  
23 indicates, the following terms have the following meanings.

24 1. Authority. "Authority" means the Maine Health and  
25 Higher Educational Facilities Authority, established under  
26 Title 22, section 2054.

27 2. Institution for higher education. "Institution for  
28 higher education" means any institution for post-secondary  
29 or higher education, as defined in Title 22, section 2053,  
30 subsection 4-B, the University of Maine and, in addition,  
31 means any institution which awards an undergraduate or  
32 advanced degree.

33 3. Student loan corporation. "Student loan corpora-  
34 tion" means any corporation established under section 2283.

35 §2283. Student loan corporations authorized

36 Any institution or consortium of institutions for  
37 higher education may form a voluntary nonprofit student loan  
38 corporation in accordance with this chapter for the purposes  
39 specified in this chapter. An institution for higher educa-  
40 tion may form a student loan corporation either:

41 1. Organizing new student loan corporation. By orga-  
42 nizing a new voluntary nonprofit student loan corporation as  
43 provided in this chapter; or

1           2. By amending the articles of incorporation and  
2 bylaws of an existing nonprofit corporation organized under  
3 Title 13-B, or its predecessors, to conform the articles and  
4 bylaws to the requirements of this chapter.

5           §2284. Incorporators

6           1. Formation of student loan corporation. An institu-  
7 tion for higher education may, by a 2/3 vote of its board of  
8 trustees or other governing body, agree to form or to join  
9 with other institutions for higher education to form, a  
10 student loan corporation for the purpose of providing  
11 low-cost financial assistance to qualified students enrolled  
12 at that institution or to the parents of these students.  
13 The student loan corporation shall be organized under the  
14 provisions of Title 13-B and the incorporators shall be per-  
15 sons as are authorized by the trustees or other governing  
16 body.

17          2. Incorporators deemed to acting on behalf of  
18 board. Incorporators shall be deemed to be acting in their  
19 capacities as members of and on behalf of the board of  
20 trustees or other governing body.

21           §2285. Purposes

22           The articles of agreement of a student loan corporation  
23 shall contain the following:

24          1. Name. The name of the student loan corporation,  
25 which shall clearly identify the institution or institutions  
26 for higher education with which it is associated and shall  
27 end with the words "Student Loan Corporation;"

28          2. Purposes. Each student loan corporation shall be  
29 operated exclusively for the purpose of providing loans to  
30 qualified students attending the institution or institutions  
31 for higher education with which it is associated, or to the  
32 parents of those students; and

33          3. Adoption of procedures. Each student loan corpora-  
34 tion shall adopt procedures for determining eligibility for  
35 loans, procedures for the making and collection of loans and  
36 other procedures as may be necessary or convenient for the  
37 administration of the student loan program.

38           §2286. Issuance of bonds

39          1. Authority to issue. The Maine Health and Higher  
40 Educational Facilities Authority may issue revenue bonds and

1 other obligations and to loan the proceeds thereof to one or  
2 more student loan corporations for the purposes set forth in  
3 this chapter.

4 2. Limitations. No bonds or other obligations may be  
5 issued unless the authority determines that:

6 A. The issuance of low-cost loans by the student loan  
7 corporation to qualified students will assist the stu-  
8 dents in attending their institution for higher educa-  
9 tion and will lower the cost to the students or their  
10 parents of financing the students' educations;

11 B. Adequate provision has been or will be made for the  
12 payment of the principal of, or interest on, any obli-  
13 gations issued by the authority to finance these loan  
14 programs;

15 C. Adequate provision has been made for the payment of  
16 the reasonable expenses of the authority related to  
17 administration of the student loan corporations as are  
18 necessitated by their programs; and

19 D. The proposed procedures for redistribution of the  
20 bond proceeds, collection of student payments, interest  
21 charges and any other matters concerning the adminis-  
22 tration of the student loan corporations are in con-  
23 formance with the law.

24 3. Powers of the authority. The authority, to further  
25 its student loan corporation programs, may:

26 A. Determine the nature of student loan corporation  
27 programs for which it will issue its bonds;

28 B. Enter into contracts for any or all student loan  
29 corporation program purposes;

30 C. Enter into contracts for the administration or  
31 servicing of student loan corporation issued loans;

32 D. Designate a particular institution or institutions  
33 for higher education, or student loan corporation or  
34 corporations, as its agent for accomplishing its pur-  
35 poses;

36 E. Make loans with proceeds of the sale of its bonds  
37 to any student loan corporation in accordance with an  
38 agreement between the authority and the student loan  
39 corporation; provided, that the proceeds of the loan

1 shall be used by the student loan corporation to pur-  
2 chase, originate or make loans to eligible students or  
3 to the parents of those students;

4 F. Receive and accept, from any public agency or any  
5 other source, loans, grants, guarantees or insurance  
6 with respect to student loans and the student loan cor-  
7 poration programs;

8 G. Establish guidelines governing the actions of  
9 student loan corporations and institutions for higher  
10 education in participating in the authority's student  
11 loan corporation program; and

12 H. Exercise all powers incidental and necessary for  
13 the performance of the powers listed in this subsec-  
14 tion.

15 §2287. Rights of the authority and student loan corpora-  
16 tions

17 In issuing bonds for a student loan corporation pro-  
18 gram, the authority and any student loan corporations cre-  
19 ated under this chapter have all the power and authority and  
20 are subject to all of the rights, liabilities and responsi-  
21 bilities as set out in Title 22, section 2055 which do not  
22 conflict with this chapter. Nothing in this chapter other-  
23 wise limits any other bond issuance or other powers of the  
24 authority set forth in Title 22, section 2055.

25 §2288. Bonds of the authority

26 1. Authorization; bond anticipation notes. The  
27 authority is authorized from time to time to issue its nego-  
28 tiable bonds for the purposes specified in this chapter. In  
29 anticipation of the sale of these bonds, the authority may  
30 issue negotiable bond anticipation notes and may renew the  
31 same from time to time. The notes shall be paid from reve-  
32 nues derived from loans to student loan corporations, or  
33 from the proceeds of sale of the bonds of the authority in  
34 anticipation of which they were issued. The notes shall be  
35 issued in the same manner as the bonds. The notes and the  
36 resolution or resolutions authorizing the notes may contain  
37 any provisions, conditions or limitations which a bond reso-  
38 lution of the authority may contain.

39 2. Bonds not a debt or liability of the State. Reve-  
40 nue bonds issued under this chapter do not constitute a debt  
41 or liability of the State, of any municipality or political  
42 subdivision of the State or a pledge of the faith and credit

1 of the State or of any municipality or political subdivi-  
2 sion.

3 3. Payments. These revenue bonds are payable solely  
4 from the revenues or other funds derived from student loan  
5 corporation issued loans, either directly or indirectly pro-  
6 vided by this chapter for their payments. All these revenue  
7 bonds shall contain on the face of the bond a statement of  
8 the effect that neither the State nor the authority is obli-  
9 gated to pay the bond or the interest on the bond except  
10 from revenues or other funds derived from student loan cor-  
11 poration issued loans, either directly or indirectly pro-  
12 vided by this chapter, and that neither the faith and credit  
13 nor the taxing power of the State or of any municipality or  
14 political subdivision of the State is pledged to the payment  
15 of the principal of or the interest on the bonds. The issu-  
16 ance of revenue bonds under this chapter shall not directly  
17 or indirectly or contingently obligate the State or any  
18 municipality or political subdivision of the State to levy  
19 or to pledge any form of taxation whatever for the bonds or  
20 to make any appropriation for their payment.

21 4. Provisions of bonds. The bonds may be issued as  
22 serial bonds or as term bonds, or the authority, in its dis-  
23 cretion, may issue bonds of both types. The bonds shall be  
24 authorized by resolution of the members of the authority and  
25 shall bear the date or dates, mature at the time or times,  
26 be in the denominations, be in the form, either coupon or  
27 registered, carry the registration privileges, be executed  
28 in the manner, be payable in lawful money of the United  
29 States at the place or places and be subject to the terms of  
30 redemption as the resolution or resolutions may provide.  
31 The bonds or notes may be sold at public or private sale for  
32 the price or prices as the authority determines. The power  
33 to fix the date of sale of bonds and to take all other  
34 necessary action to sell and deliver bonds may be delegated  
35 to the executive director of the authority by resolution of  
36 the authority. Pending preparation of the definitive bonds,  
37 the authority may issue interim receipts or certificates  
38 which shall be exchanged for those definitive bonds.

39 5. Resolutions. Any resolution or resolutions author-  
40 izing any bonds or any issue of bonds may contain provisions  
41 which shall be a part of the contract with the holders of  
42 the bonds to be authorized as to:

43 A. Pledging the revenues to be derived from the  
44 student loan corporation or any revenue-producing con-  
45 tract or contracts made by the authority with the  
46 student loan corporations to secure the payment of the

1 bonds or of any particular issue of bonds, subject to  
2 such agreements with bondholders as may then exist;

3 B. The fees and other charges to be charged, the  
4 amounts to be raised in each year thereby and the use  
5 and disposition of the revenues;

6 C. The setting aside of reserves or sinking funds and  
7 the regulation and disposition thereof;

8 D. Limitations on the purpose to which the proceeds of  
9 sale of any issue of bonds then or thereafter to be  
10 issued may be applied and pledging these proceeds to  
11 secure the payment of the bonds or any issue of the  
12 bonds;

13 E. The procedure, if any, by which the terms of any  
14 contract with bondholders may be amended or abrogated,  
15 the amount of bonds the holders of which must consent  
16 thereto and the manner in which this consent may be  
17 given;

18 F. Defining the acts or omissions to act which shall  
19 constitute a default in the duties of the authority to  
20 holders of its obligations and providing the rights and  
21 remedies of these holders in the event of a default;  
22 and

23 G. Such other additional covenants, agreements and  
24 provisions as are judged advisable or necessary by the  
25 authority for the security of the holders of these  
26 bonds.

27 6. No personal liability. Neither the members of the  
28 authority nor any person executing the bonds or notes shall  
29 be liable personally on the bonds or notes to be subject to  
30 any personal liability or accountability by reason of the  
31 issuance thereof.

32 §2284. Source of payment of expenses

33 All reasonable expenses incurred in carrying out this  
34 chapter shall be payable by the respective student loan cor-  
35 porations, and no liability or obligation shall be incurred  
36 by the authority or any other state agency.

37 §2290. Administration of student loan corporation issued  
38 loans; no discrimination



1        1. Administration. A student loan corporation shall  
2 have full power and authority and be subject to all rights,  
3 responsibilities and liabilities for the administration of a  
4 student loan program and for the distribution and collection  
5 of loans to qualified students, including the determination  
6 of who is eligible to receive loans, the amounts of the  
7 loans, repayment schedules and interest rates to be charged;  
8 provided, that the terms are in accordance with law and do  
9 not discriminate against any person on account of race,  
10 creed, national origin, sex or age.

11        2. Contracts for services. Student loan corporations  
12 are authorized to contract with other service corporations  
13 to provide bookkeeping, data processing and related fiscal  
14 services required for the conduct of their business.

15        §2291. Exemption from taxation

16        The exercise of the powers granted by this chapter  
17 shall be in all respects for the benefit of the people of  
18 the State, for the increase of their commerce, welfare and  
19 prosperity, and for the improvement of their health and  
20 living conditions, and shall constitute the performance of  
21 an essential governmental function. Neither the authority  
22 nor the student loan corporations may be required to pay any  
23 taxes or assessments upon or in respect of loans made by the  
24 authority or its agents or under the jurisdiction, control,  
25 possession or supervision of the authority or the student  
26 loan corporations or upon the activities of the authority or  
27 the student loan corporations or their agents in the opera-  
28 tion or maintenance of student loan corporation programs  
29 pursuant to this chapter, or upon income or other revenues  
30 received therefrom, and any bonds, notes and other obli-  
31 gations issued under this chapter, their transfer and the  
32 income therefrom, including any profit made on the sale  
33 thereof, as well as the income and property of the author-  
34 ity, are at all times exempt from taxation of every kind by  
35 the State and by the municipalities and all other political  
36 subdivisions of the State.

37        §2292. Bonds declared legal investments

38        Bonds and notes issued by the authority under this  
39 chapter are made securities in which all public officers and  
40 public bodies of the State and its political subdivisions,  
41 all insurance companies and associations and other person  
42 carrying on an insurance business, trust companies, banks,  
43 bankers, banking associations, savings banks and savings  
44 associations, including savings and loan associations,  
45 credit unions, building and loan associations, investment

1 companies, executors, administrators, trustees and other  
2 fiduciaries, pension, profit-sharing, retirement funds and  
3 other persons carrying on a banking business, and all other  
4 persons whatsoever, who are now or may hereafter be author-  
5 ized to invest in bonds or other obligations of the State,  
6 may properly and legally invest funds, including capital in  
7 their control or belonging to them. The bonds and notes are  
8 made securities which may properly and legally be deposited  
9 with and received by any state or municipal or public offi-  
10 cer or any agency or political subdivision of the State for  
11 any purpose for which the deposit of bonds or other obli-  
12 gations of the State is now or may hereafter be authorized  
13 by law.

14 §2293. Act cumulative; no notice required

15 Neither this chapter nor anything contained in this  
16 chapter is or shall be construed as a restriction or limita-  
17 tion upon any powers which the authority might otherwise  
18 have under any laws of this State, and this chapter is cumu-  
19 lative of any such powers. This chapter does and shall be  
20 construed to provide a completed, additional and alternative  
21 method for doing of the things authorized thereby and shall  
22 be regarded as supplemental and additional to powers other-  
23 wise conferred by other laws. Neither the making of con-  
24 tracts nor the issuance of bonds, notes and other obli-  
25 gations pursuant to this chapter need comply with the re-  
26 quirements of any other state law applicable to the making  
27 of contracts and the issuance of bonds, notes and other  
28 obligations. No proceeding, notice or approval shall be re-  
29 quired for the issuance of any bonds, notes or other obli-  
30 gations, or any instrument or security therefor, except as  
31 is provided in this chapter.

32 §2294. University of Maine

33 Notwithstanding any inconsistent provisions of this  
34 chapter, and in addition to the option of providing low-cost  
35 financial assistance to qualified students enrolled at the  
36 university through the Maine Health and Higher Educational  
37 Facilities Authority and a student loan corporation, the  
38 following provisions shall apply to the University of Maine.

39 1. Issuance of bonds. The Board of Trustees of the  
40 University of Maine may provide, by resolution, at one time  
41 or from time to time, for the issuance of revenue bonds and  
42 other obligations and to loan the proceeds thereof to one or  
43 more student loan corporations formed by the board for the  
44 purposes of this chapter. Revenue bonds and other obli-  
45 gations issued by the board of trustees shall be issued in

1 the name of the University of Maine, shall be issued in ac-  
2 cordance with this chapter and shall be subject to the same  
3 limitations and have the same exemptions as other bonds or  
4 obligations issued under this chapter.

5 2. Powers. In addition to any other powers granted by  
6 private and special legislation or general law, the board of  
7 trustees shall have the same powers as the Maine Health and  
8 Higher Educational Facilities Authority, to the extent those  
9 powers are necessary to meet the purposes of this chapter.

10 3. Security. Revenue bonds and other obligations  
11 issued under this chapter may be secured in such fashion as  
12 the board of trustees, in its discretion, deems appropriate.  
13 Revenue bonds and other obligations issued by the board of  
14 trustees under this chapter shall not constitute a debt or  
15 liability of the State, of any municipality or political  
16 subdivision of the State or a pledge of the faith and credit  
17 of the State or of any municipality or political subdivi-  
18 sion, and shall contain on their face a statement to that  
19 effect.

20 Fiscal Note

21 It is projected that this bill will have no fiscal  
22 impact upon state funds, as the bonds issued under this pro-  
23 gram will not constitute a liability of the State or any  
24 political subdivision. The State will not be obligated to  
25 pay the principal or the interest on the bonds. At this  
26 time, it cannot be practically forecasted as to the amount  
27 of bonds which would be sold or the number of student loans  
28 which would be made under the provisions of this bill.  
29 There is no effect upon state, county or local revenues or  
30 expenditures.

31 STATEMENT OF FACT

32 This new draft permits certain institutions or a con-  
33 sortium of institutions of higher education to form student  
34 loan corporations and to issue low-cost loans to qualified  
35 students. The Maine Health and Higher Educational Facili-  
36 ties Authority has the power to issue bonds and other obli-  
37 gations to finance the loan programs. The authority has  
38 broad powers as to determining the amount and nature of the  
39 loans it will finance.

40 Revenue bonds issued under this chapter are payable  
41 only from funds derived from student loans. The authority  
42 and student loan corporations are exempt from tax.

1           The University of Maine is given the option of parti-  
2           cipating through the Maine Health and Higher Educational  
3           Facilities Authority or issuing its own revenue bonds and  
4           other obligations. It may also secure its revenue bonds or  
5           other obligations, but such bonds or other obligations are  
6           not a debt or liability of the State or any municipality or  
7           political subdivision, nor are they a pledge of the faith  
8           and credit of the State or any municipality or political  
9           subdivision.

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