

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

FIRST REGULAR SESSION - 1989

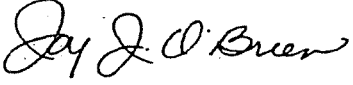
Legislative Document

No. 166

S.P. 111

In Senate, February 14, 1989

Reference to the Committee on Appropriations and Financial Affairs suggested and ordered printed.


JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator BOST of Penobscot.

Cosponsored by Senator ESTES of York, Representative CROWLEY of Stockton Springs and Representative O'DEA of Orono.

STATE OF MAINE

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

An Act to Prohibit Certain Student Loan Fees.



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

3 Sec. 1. 20-A MRSA §11408 is enacted to read:

5 §11408. Loan fees

7 1. Fee prohibited. The State may not assess any guarantee
9 fee or administrative fee on any loan made after the effective
11 date of this section under the federal Guaranteed Student Loan
13 Program, 20 United States Code, Chapter 28, Subchapter IV, Part
B, including the general Guaranteed Student Loan Program, as well
as Parent Loans for Undergraduate Students and Supplementary
Loans for Students.

15 2. Federal origination fee. This section does not apply to
17 any origination fee which must be paid under law to the federal
government.

19 Sec. 2. Appropriation. The following funds are appropriated
21 from the General Fund to carry out the purposes of this Act.

23 1989-90 1990-91

25 EDUCATIONAL AND CULTURAL SERVICES,
DEPARTMENT OF

27 Bureau of School Management

29 Division of Higher
Education Services

31 All Other \$1,000,000 \$1,000,000

33 Provides funds for
35 administrative expenses and
37 for a reserve for defaults
under the Maine Guaranteed
Student Loan Program.

41 STATEMENT OF FACT

43 The Guaranteed Student Loan Program was created under
45 federal law to provide loan insurance for students in
47 institutions of higher education and in vocational schools. In
the general program the interest rates are subsidized by the
49 federal government, which collects an origination fee of 5% of
the loan amount. This fee is not assessed for Parent Loans for
Undergraduate Students (PLUS) and for Supplementary Loans for
51 Students (SLS) which do not have subsidized interest rates. In

1 addition, in all 3 cases, the State collects a guarantee fee of
3 3% of the loan amount to provide a reserve for defaults and other
administrative expenses. These fees are deducted up front, so
that the borrower receives less than the face value of the loan.

5

7 This bill prohibits the State from collecting such fees. A
General Fund appropriation of \$1,000,000 is included to make up
for the lost revenue. The federal fees would not be changed by
9 this bill.