

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

SECOND REGULAR SESSION - 1990

Legislative Document

No. 2295

S.P. 901

In Senate, February 7, 1990

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 27.

Reference to the Committee on Education suggested and ordered printed.

Joy J. O'Brien

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator BOST of Penobscot.

Cosponsored by Representative GWADOSKY of Fairfield, Representative CROWLEY of Stockton Springs and Representative O'DEA of Orono.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY

An Act Regarding the Secondary Market for Student Loans.

(After Deadline)



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

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4 Sec. 1. 20 MRSA §2237, as enacted by PL 1983, c. 399, §1, is amended to read:

6 **§2237. Authorization for Governor to request organizations of corporations to acquire loan notes**

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10 To the extent and for the purposes contemplated by the United States Internal Revenue Code of 1954 1986, Section 103, (e) 150, (d), as amended, the Governor may on behalf of the State request the organization of one or more nonprofit corporations to operate exclusively for the purpose of acquiring student loan notes incurred under the United States Higher Education Act of 1965, as amended. A nonprofit corporation formed under this section shall report annually on its activities during the previous fiscal year to the joint standing committee of the Legislature having jurisdiction over educational matters. That report must include a listing of the current directors and officers of the corporation, a summary of the corporation's purchases of loans in the secondary market during the previous fiscal year, a listing of the institutions from which loans were purchased during the previous fiscal year and a complete financial statement of the corporation's operations for the previous fiscal year, including an income and costs statement, and a breakdown of the administrative costs of the corporation. That report must be provided annually in writing to the committee by December 1st.

30 Sec. 2. 20-A MRSA §11407, as enacted by PL 1983, c. 399, §2, is amended to read:

32 **§11407. Authorization for Governor to request organizations of corporations to acquire loan notes**

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36 To the extent and for the purposes contemplated by the United States Internal Revenue Code of 1954 1986, Section 103, (e) 150, (d), as amended, the Governor may on behalf of the State request the organization of one or more nonprofit corporations to operate exclusively for the purpose of acquiring student loan notes incurred under the United States Higher Education Act of 1965, as amended. A nonprofit corporation formed under this section shall report annually on its activities during the previous fiscal year to the joint standing committee of the Legislature having jurisdiction over educational matters. That report must include a listing of the current directors and officers of the corporation, a summary of the corporation's purchases of loans in the secondary market during the previous fiscal year, a listing of the institutions from which loans were purchased during the previous fiscal year and a complete financial statement of the corporation's operations for the previous fiscal year, including an income and costs statement,

2 and a breakdown of the administrative costs of the corporation.
4 That report must be provided annually in writing to the committee
6 by December 1st.

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STATEMENT OF FACT

Current law authorizes the formation of one or more nonprofit corporations to operate in the secondary market to purchase student financial aid loans from banks and other institutions. A portion of the State's tax-free bond limit is set aside for that purpose. The lending institutions may then use the funds received for the sale of loans to make additional loans. The public policy purpose for this arrangement is to encourage lending institutions to make student financial aid loans and to make more money available for that purpose. With certain federal limitations, a corporation formed to purchase student loans can earn money through its secondary market operations and spend that money on educational activities and to meet administrative expenses. There are no state reporting or oversight requirements for the activities of those corporations.

This bill would establish an annual reporting requirement to the Joint Standing Committee on Education for a corporation formed to operate the secondary market. That requirement would allow monitoring of the accomplishment of this essentially public purpose by a private corporation or corporations.