

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 1070

H.P. 750

House of Representatives, March 12, 1991

Reported by Representative CROWLEY for the Student Financial Aid Transition Committee pursuant to Public Law 1989, chapter 559, section 12 and chapter 698, section 74.

Reference to the Joint Standing Committee on Education suggested and printing ordered under Joint Rule 18.

A handwritten signature in cursive script that reads "Ed Pert".

EDWIN H. PERT, Clerk

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-ONE

An Act to Improve Student Financial Assistance Services.

(EMERGENCY)

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

4
Whereas, changes in existing law recommended by the Student
6 Financial Aid Transition Advisory Committee are necessary to
provide prompt, equitable access to financial assistance programs
8 for students and families; and

10
Whereas, those changes need to be enacted before the start
of the next school year in order to have the greatest impact; and

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

18
Be it enacted by the People of the State of Maine as follows:

20
Sec. 1. 5 MRSA §145-C is enacted to read:

22
§145-C. Capital appreciation bonds

24
1. Definitions. As used in this section, unless the
26 context otherwise indicates, the following terms have the
following meanings.

28
A. "College savings bonds" means any general obligation
30 bonds of the State that:

32
(1) The Treasurer of State is authorized to issue and
34 sell;

36
(2) Are offered for initial sale at a substantial
discount from face value with some or all of the
38 payment to bondholders of principal or interest or both
deferred until maturity; and

40
(3) Are designated by the Treasurer of State as
42 college savings bonds.

44
2. Authorization. Any general obligation bonds of the
State that the Treasurer of State now or after the effective date
of this subsection is authorized to issue and sell may be issued
46 and sold by the Treasurer of State as college savings bonds. The
Treasurer of State, after consultation with the advisory
48 committee established in subsection 3, may offer college savings
bonds in such amounts and form and on such terms and conditions
50 as the Treasurer of State determines necessary. Notwithstanding
any contrary provision of any general obligation bond act, the
52 Treasurer of State is authorized to issue bonds in serial or term

2 form in the name of and on behalf of the State, in amounts that
4 will raise usable bond proceeds equal to the total amount for the
6 projects authorized by the general obligation bond act and
8 approved at referendum. For purposes of determining the amount
of bonds of the State being issued or outstanding as of any given
time, the amount of capital appreciation bonds is the greater of
the original issue amount and the accreted value, as determined
by the Treasurer of State.

10 3. Advisory committee. There is established an advisory
12 committee on college savings bonds to advise the Treasurer of
14 State on the issuance of college savings bonds. The advisory
16 committee consists of 3 ex officio members, the Commissioner of
18 Finance, the Commissioner of Education, the Chief Executive
20 Officer of the Finance Authority of Maine; and one representative
of the University of Maine System designated by the Governor for
a 4-year term. The advisory committee shall consult with the
Treasurer of State on the amount of college savings bonds to be
issued by the State, their terms, maturities and structures and
the marketing and availability of the bonds.

22 4. Sale of college savings bonds. College savings bonds
24 may be sold by competitive or negotiated sale, provided that the
26 Treasurer of State shall determine that the underwriter or
28 underwriters to which the bonds are sold have sufficient
30 capability to provide for broad retail distribution of the bonds
32 to investors residing in the State. College savings bonds may be
issued in certificate or book entry form, in face amounts as low
as \$1,000 if determined advisable by the Treasurer of State. The
Treasurer of State may covenant and consent to establish any
sinking funds, reserve funds or other accounts necessary to pay
the bonds at maturity.

34 Sec. 2. 10 MRSA §363, sub-§6, as repealed and replaced by PL
36 1987, c. 413, §4, is amended to read:

38 6. Allocation to the Finance Authority of Maine. That
40 portion of the state ceiling allocated to the category of bonds
42 which are limited obligations of the issuer payable solely from
44 the revenues of the projects financed with the proceeds of the
46 bonds, other than for housing-related projects or issues included
48 in an issue of the Maine Municipal Bond Bank, as well as that
portion of the state ceiling allocated to bonds authorized to be
issued by the Finance Authority of Maine pursuant to Title 20-A,
chapter 417-B, shall must be allocated to the Finance Authority
of Maine, which may further allocate that portion of the state
ceiling to bonds requiring an allocation in order to qualify as
tax-exempt bonds.

50 Sec. 3. 10 MRSA §1013, sub-§8, as repealed and replaced by PL
52 1989, c. 698, §10, is amended to read:

2 8. Supplemental loan program. The supplemental loan
program as established in Title 20-A, chapter 417-B;

4 Sec. 1. 10 MRSA §1013, sub-§10, as enacted by PL 1989, c. 698,
§10, is amended to read:

6 10. Student financial assistance counseling and outreach
8 program. The student financial assistance counseling and
10 outreach program, as established in Title 20-A, chapter 430-B; and

12 Sec. 4. 10 MRSA §1013, sub-§11, as enacted by PL 1989, c. 698,
§10, is repealed.

14 Sec. 5. 20-A MRSA §11417, sub-§4, as enacted by PL 1987, c.
16 807, §3, is amended to read:

18 4. Administration. In carrying out its powers under this
chapter, the authority shall, whenever determined desirable by
20 the authority, contract with the secondary market, the Finance
Authority of Maine or other appropriate entity for necessary
clerical and administrative services.

22 Sec. 6. 20-A MRSA c. 417-B is enacted to read:

24 CHAPTER 417-B

26 SUPPLEMENTAL LOAN PROGRAM

28 §11441. Program established

30 There is established the Student Financial Aid Supplemental
32 Loan Program to provide assistance to students or the families of
34 students who are residents of this State attending institutions
of higher education within or outside of this State and to
36 students attending institutions of higher education within this
State and their families. The assistance provided by this
38 chapter is intended to supplement federal guaranteed higher
education loan programs, other student loan programs, grant
40 programs, scholarship programs, programs assisting institutions
of higher education and other means of assisting students and
families of students.

42 §11442. Definitions

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

48 1. Authority. "Authority" means the Finance Authority of
50 Maine established in Title 10, section 961 and its successors or
assigns.

2 2. Authority loans. "Authority loans" means loans by the
3 authority to institutions of higher education, students or other
4 persons for the purpose of funding, financing or acquiring
5 education loans.

6 3. Bonds. "Bonds" includes bonds, notes, refunding bonds,
7 commercial paper, pass-through instruments or any other evidences
8 of obligations of the authority issued under this chapter.

10 4. Borrower. "Borrower" means a student who has received
11 an education loan or any parent who has received or agreed to
12 repay an education loan.

14 5. Code. "Code" means the United States Internal Revenue
15 Code of 1986, as amended.

16 6. Cost of attendance. "Cost of attendance" means the
17 tuition and fees applicable to a student, together with an
18 estimate of other expenses reasonably related to cost of
19 attendance at an institution, including, without limitation, the
20 cost of room and board, transportation, books and supplies.

22 7. Default insurance. "Default insurance" means insurance
23 that insures authority loans or bonds against default.

26 8. Default reserve fund. "Default reserve fund" means a
27 fund established by the authority for the purpose of securing
28 authority loans or bonds.

30 9. Education loan. "Education loan" means a loan made by
31 the authority or by or on behalf of an institution to a student
32 or to parents of a student, or both, in amounts not in excess of
33 the maximum amounts specified by the authority to finance a part
34 or all of the student's cost of attendance at an institution. An
35 education loan is an authority loan.

36 10. Education loan series portfolio. "Education loan
37 series portfolio" means all education loans made by a specific
38 institution that are funded from or acquired by the proceeds of
39 an authority loan to the institution of higher education out of
40 the proceeds of a related specific bond issue through the
41 authority.

44 11. Institution. "Institution" or "institution of higher
45 education" means any public or private nonprofit educational
46 institution within the State, any public or private nonprofit
47 educational institution outside of the State attended by
48 residents of the State, any proprietary educational institution
49 within the State for which loan guarantee services are readily
50 and conveniently available to the authority or any proprietary
educational institution outside of the State attended by

2 residents of the State and for which loan guarantee services are
3 readily and conveniently available to the authority, that:

4 A. Provides a program of education beyond the high school
5 level;

6 B. Awards an associate, baccalaureate or advanced degree;
7 and

8 C. Meets the other conditions established by rules of the
9 authority.

10 12. Loan funding deposit. "Loan funding deposit" means
11 money or other property deposited by an institution with the
12 authority or a trustee or custodian, in amounts the authority
13 determines necessary as a condition for an institution's
14 participation in the authority's programs to:

15 A. Provide security for bonds;

16 B. Fund a default reserve fund;

17 C. Acquire default insurance; or

18 D. Defray costs of the authority.

19 13. Parent. "Parent" means any parent or guardian of a
20 student at an institution of higher education.

21 §11443. Supplemental loans

22 1. Programs. The authority is authorized to carry out one
23 or more programs making financial and other assistance available
24 to borrowers or institutions to finance the cost of attendance.
25 The authority is further authorized to issue bonds, lend the
26 proceeds of the bonds and exercise any other power set forth in
27 this chapter for these purposes.

28 2. Policies. The authority shall establish rules
29 pertaining to participation in the Student Financial Aid
30 Supplemental Loan Program, issuing bonds and borrowing money by
31 the authority, a process for allocation and carry-forward of that
32 portion of the state ceiling on issuance of tax exempt bonds
33 allocated to the authority pursuant to Title 10, chapter 9,
34 servicing and collection of loans made pursuant to programs of
35 the authority and other policies governing the operation of the
36 authority.

37 §11444. Records confidential

38 1. Confidential information. Records containing any
39 information acquired by the authority or a member, employee or
40 agent of the authority.

2 agent of the authority from applicants for or recipients of
3 financial assistance provided by the Student Financial Aid
4 Supplemental Loan Program are confidential for purposes of Title
5 1, section 402, subsection 3, paragraph A.

6 2. Wrongful disclosure prohibited. No member, employee,
7 agent, other representative of the authority or other person may
8 knowingly divulge or disclose records declared confidential by
9 this section, except that the authority may, in its discretion,
10 make or authorize any disclosure of information of the following
11 types or under the following circumstances:

12 A. Impersonal, statistical or general information;

14 B. If necessary in connection with processing any
15 application for, obtaining or maintaining financial
16 assistance for any person or in connection with acquiring,
17 maintaining or disposing of property;

18 C. To a financial institution or credit reporting service;

20 D. Information necessary to comply with any federal or
21 state law or rule or with any agreement pertaining to
22 financial assistance;

23 E. Information to the extent the authority determines the
24 disclosure necessary to the sale or transfer of its bonds;

25 F. If necessary to ensure collection of any obligation in
26 which it has or may have an interest;

27 G. In any litigation or proceeding in which the authority
28 has appeared, introduction for the record of any information
29 obtained from records declared confidential by this section;
30 and

31 H. Pursuant to a subpoena, request for production of
32 documents, warrant or other order by competent authority,
33 provided that any such order appears to have first been
34 served on the person to whom confidential information sought
35 pertains or belongs and provided that any such order appears
36 on its face or otherwise to have been issued or made upon
37 lawful authority.

38 **§11445. Bonds**

39 1. Issuance; purpose; payment; authorization; interim
40 receipts or certificates. The authority may issue bonds without
41 limitation for the purpose of making authority loans to
42 institutions participating in a program of the authority for the
43 purpose of providing education loans, for acquiring existing
44 portfolios of education loans from institutions or for financing
45

2 or funding education loans directly or indirectly to borrowers.
3 The bonds of each issue must be payable from sources specified in
4 the agreement with bondholders, including without limitation,
5 principal and interest on loans; payments by institutions, banks,
6 insurance companies or others pursuant to letters of credit or
7 purchase agreements; investment earnings from funds or accounts
8 maintained pursuant to a trust agreement or other document;
9 insurance proceeds; loan funding deposits; proceeds of sales of
10 education loans; proceeds of refunding bonds; and other fees,
11 charges or revenues of the authority.

12 Bonds must be authorized by the authority and must:

14 A. Bear the date or dates, and mature at a time or times,
15 whether as serial bonds or as term bonds, or both,
16 determined by the authority;

18 B. Bear interest at a rate or rates determined by the
19 authority, including, but not limited to, fixed, variable,
20 floating or adjustable interest rates;

22 C. Be payable at a time or times, in the denominations and
23 form, either coupon or registered or both, and carry the
24 registration and privileges as to conversion and for the
25 replacement of mutilated, lost or destroyed bonds as the
26 authority may establish;

28 D. Be negotiable and payable in lawful money of the United
29 States at a designated place or be payable in another form
30 of currency if the authority so designates;

32 E. Be subject to redemption in accordance with the
33 agreement with bondholders;

34 F. Be executed by the manual or facsimile signatures of the
35 officers or designees of the authority;

38 G. Be sold in the manner and upon the terms determined by
39 the authority at public or private sale, with or without
40 public bidding;

42 H. Be conclusively presumed to be fully and duly authorized
43 and issued under the laws of the State and any person or
44 governmental unit is estopped from questioning their
45 authorization, sale, issuance, execution or delivery by the
46 authority; and

48 I. Be considered to be negotiable instruments issued under
49 the laws of the State.

50

2 Pending preparation of the definitive bonds, the authority may
4 issue interim receipts or certificates that must be exchanged for
6 such definitive bonds.

8 Bonds issued under this chapter do not constitute or create any
10 debt or debts, liability or liabilities on behalf of the State or
12 of any political subdivision of the State other than the
14 authority, or a loan of the credit of the State or a pledge of
16 the faith and credit of the State or of any such political
18 subdivision other than the authority, but are payable solely from
20 the funds provided. All the bonds must contain on the face of
22 the bonds a statement to the effect that neither the State nor
24 any political subdivision of the State is obligated to pay the
26 same or the interest on the bonds, except from revenues derived
28 pursuant to one or more agreements and that neither the faith and
30 credit nor the taxing power of the State or of any political
32 subdivision of the State is pledged to the payment of the
34 principal of, premium, if any, or the interest on such bonds.
36 The issuance of bonds under this chapter does not directly or
38 indirectly or contingently obligate the State or any political
40 subdivision of the State to levy or to pledge any form of
42 taxation whatever or to make any appropriation for their
44 payment. Nothing contained in this section may prevent or be
46 construed to prevent the authority from pledging its full faith
48 and credit or the full faith and credit of an institution to the
50 payment of bonds or issue of bonds authorized pursuant to this
52 chapter.

2 2. Provisions in bond resolution or other document. Any
4 bond resolution or other document may contain provisions, which
6 are a part of the contract with the holders of the bonds to be
8 authorized, as to:

10 A. Pledging or assigning the revenues derived from
12 authority loans, education loans or other sources with
14 respect to which the bonds are issued;

16 B. The fees and other charges collected and the sums raised
18 in each year, and the use, investment and disposition of
20 such sums;

22 C. The setting aside of loan funding deposits, debt service
24 reserves, capitalized interest accounts, cost of issuance
26 accounts and sinking funds, and their regulation, investment
28 and disposition;

30 D. Limitations on the use of proceeds of loans;

32 E. Limitations on the purpose to which or on the
34 investments in which the proceeds of sale of any issue of
36 bonds then or thereafter issued may be applied;

2 F. Limitations on the issuance of additional bonds, the
3 terms upon which additional bonds may be issued and secured,
4 and the terms upon which additional bonds may rank on a
5 parity with, or be subordinate or superior to, other bonds;

6 G. The refunding or refinancing of outstanding bonds;

8 H. The procedure, if any, by which the terms of any
9 contract with bondholders may be altered or amended and the
10 amount of bonds the holders of which must consent thereto,
11 and the manner in which consent is given;

12 I. Defining the acts or omissions that constitute a default
13 in the duties of the authority to holders of its obligations
14 and providing the rights or remedies of such holders in the
15 event of a default;

18 J. Providing for guarantees, pledges of endowments, letters
19 of credit, property or other security, or insurance for the
20 benefit of the holders of the bonds; and

22 K. Any other matter relating to the bonds that the
23 authority determines appropriate.

24
25 3. Liability. No member or employee of the authority nor
26 any person executing the bonds may be liable personally on the
27 bonds or subject to any personal liability by reason of the
28 issuance of the bonds.

30 4. Purchasing, refunding or refinancing by authority. The
31 authority may purchase its bonds out of any available funds and
32 may hold, pledge, cancel or resell the bonds subject to and in
33 accordance with agreements with bondholders. The authority may
34 refund or refinance any of its bonds.

36 5. Security for series or issue of bonds. The authority
37 may pledge the repayments of authority loans as security for a
38 series or issue of bonds. Notwithstanding any other provision of
39 this chapter, the authority may commingle and pledge as security
40 for a series or issue of bonds, with the consent of all of the
41 institutions that are participating in the series or issue, the
42 education loan series portfolios and some or all future education
43 loan series portfolios of the institutions and the loan funding
44 deposits of the institutions, if education loan series portfolios
45 and other security and money set aside in any fund or funds
46 pledged for any series or issue of bonds are held for the sole
47 benefit of the series or issue separate and apart from education
48 loan series portfolios, and other security and money pledged for
49 any other series or issue of bonds of the authority.

50
51 The authority may provide for transfer of registration of
52 its registered bonds by book entry on the records of the entity

2 designated for that purpose and may enter into any agreement that
3 it considers necessary to accomplish these purposes.

4 **§11446. Refunding bonds**

6 The authority may provide for issuance of refunding bonds of
7 the authority to refund any outstanding bonds issued under this
8 chapter, including the payment of any redemption premium and any
9 interest accrued or to accrue to the date of redemption, and, if
10 considered advisable by the authority, for any other purpose of
11 the authority. The authority may provide for the issuance of
12 bonds of the authority for the combined purpose of refunding any
13 outstanding bonds, including refunding bonds issued under this
14 chapter. The issuance of the bonds, the maturities and other
15 details, the rights and remedies of the holders and the rights,
16 powers, privileges, duties and obligations of the authority are
17 governed by the provisions of this chapter insofar as they are
18 applicable.

20 **§11447. Loan transactions**

22 The authority may purchase, sell, service, pledge, invest
23 in, hold, trade, accept as collateral or otherwise deal in,
24 acquire or transfer, all on such terms and conditions as the
25 authority may specify, any loan, loan pass-through certificate,
26 pledge, including any pledge of loan revenue, loan participation
27 certificate or other loan-backed or loan-related security. Any
28 such transaction may be conducted by public or private offering,
29 with or without public bidding. In connection with the purchase
30 or sale of a loan or of a beneficial interest or participation in
31 a loan, the authority may enter into one or more agreements
32 providing for the custody, control and administration of the
33 loan. Any such agreement may provide that the authority, a
34 financial institution or other person act as trustor, trustee or
35 custodian under the agreement. Any such agreement may provide
36 that, with respect to loans governed by the agreement, title to a
37 loan, or to a beneficial interest or participation in a loan, is
38 deemed to have been transferred on terms and to the extent
39 specified in that agreement and that the effect of a sale of a
40 beneficial interest or participation in a loan is the same as a
41 sale of a loan. The authority may issue or cause to be issued
42 certificates or other instruments evidencing the holder's
43 fractional interest in a pool of loans, which interest may be
44 undivided or limited to one or more specific loans. Whether or
45 not the certificates or instruments are of such form or character
46 as to be negotiable instruments under Title 11, Article 8, the
47 certificates or instruments are made negotiable instruments
48 within the meaning of and for all purposes of Title 11, Article
49 8, subject only to such registration requirements as the
50 authority may establish.

2 §11448. Trust agreement; pledge

4 1. Trust agreement. Any bonds issued under this chapter
6 may be secured by a trust agreement by and between any or all of
8 the following: the authority, a participating institution and a
corporate trustee or trustees, which may be any trust company or
bank having the powers of a trust company within or without the
State.

10 2. Pledge. Any trust agreement may pledge or assign any
12 revenues to be received by the authority or proceeds or benefits
14 of any contract, may serve to convey or mortgage or otherwise
16 secure any property or property rights, may contain provisions
18 for protecting and enforcing the rights and remedies of
20 bondholders, may restrict the individual right of action by
bondholders and may contain such other provisions as the
authority determines appropriate, including the right to the
appointment of a receiver and the right to the issuance of an
order of specific performance by a court of competent
jurisdiction.

22 3. Education loan program. Any expense incurred in
24 carrying out the trust agreement may be treated as a part of the
cost of the operation of an education loan program.

26 4. Valid and binding. A pledge by the authority of
28 revenues as security for an issue of bonds is valid and binding
from the time when the pledge is made.

30 The revenues pledged are immediately subject to the lien of the
32 pledge without any physical delivery, recording of any instrument
34 or further act and the lien of any pledge is valid and binding
36 against any person having any claim of any kind in tort, contract
or otherwise against the authority or any participating
institution or borrower, irrespective of whether the person has
notice.

38 No bond resolution, trust agreement or financing statement,
40 continuation statement or other instrument adopted or entered
42 into by the authority need be filed or recorded in any public
44 record other than the records of the authority in order to
perfect the lien against 3rd persons, regardless of any contrary
provision of law.

46 5. Trust funds. All money received by or on behalf of the
48 authority under this chapter, whether as proceeds from the sale
of bonds or as revenues, is deemed to be trust funds to be held
and applied solely as provided in this chapter.

50 Any officer with whom, or any bank or trust company with which,
52 that money is deposited shall act as trustee of the money and
shall hold and apply it for the purposes provided in the chapter
and any applicable bond resolution or trust agreement.

2 §11449. Capital reserve funds; obligation of the State

4 1. Capital reserve fund. The authority may create and
6 establish one or more capital reserve funds and may pay into any
8 capital reserve fund any money appropriated and made available by
10 the State for the purposes of any such fund, any proceeds of the
12 sale by the authority of bonds to the extent determined by the
14 authority and any other money available to the authority.

16 2. Application. Money held in any capital reserve fund,
18 except as provided in this section, must be used solely with
20 respect to bonds repayment of which is secured by any such fund
22 and solely for the payment of principal of bonds, the purchase or
24 redemption of those bonds, including any fees or premiums, and
26 the payment of interest on those bonds. Money in excess of the
28 reserve requirement set forth in subsection 3 may be transferred
30 to other funds and accounts of the authority.

32 3. Reserve requirement. The authority may provide that
34 money in any capital reserve fund may not be withdrawn at any
36 time in such amount as would reduce the amount of any fund to
38 less than the maximum amount of principal and interest becoming
40 due by reason of maturity or a required sinking fund payment in
42 the next succeeding 12-month period within which any such
44 maturity occurs or any such payment is required, the amount being
46 referred to as the "capital reserve requirement," except for the
48 purpose of paying the amount due at any such maturity or the
50 sinking fund payment with respect to bonds, repayment of which is
52 secured by any such fund.

32 4. Issuance limit. The authority may provide that it may
34 not issue bonds if the capital reserve requirement described in
36 subsection 3 with respect to bonds outstanding and then to be
38 issued and secured by any capital reserve fund will exceed the
40 amount of any such fund at the time of issuance, unless the
42 authority, at the time of issuance of the bonds, deposits in any
44 such fund from proceeds of the bonds to be issued, or from other
46 sources, an amount which, together with the amount then in any
48 such fund, is not less than the capital reserve requirement.

42 5. Appropriation. On or before December 1st, annually, the
44 authority shall certify to the Governor the amount, if any,
46 necessary to restore the amount in any capital reserve fund to
48 which this subsection applies according to the trust agreement or
50 other document to the capital reserve requirement. The Governor
52 shall pay directly from the contingent account to any such fund
as much of the amount as is available in the contingent account
and shall transmit directly to the Legislature that certification
and a statement of the amount, if any, remaining to be paid and
the amount certified must be appropriated and paid to the
authority during the current state fiscal year.

2 6. Bonds outstanding. The authority may not have at any
3 one time outstanding bonds to which subsection 5 applies
4 according to the trust agreement or other document in principal
5 amount exceeding \$50,000,000. The amount of bonds issued to
6 refund bonds previously issued may not be taken into account in
7 determining the principal amount of the bonds outstanding,
8 provided that the proceeds of the refunding bonds are applied as
9 promptly as possible to the refunding of the previously issued
10 bonds. In computing the total amount of bonds of the authority
11 that may at any time be outstanding for any purpose, the amount
12 of the outstanding bonds that have been issued as capital
13 appreciation bonds or as similar instruments are valued as of any
14 date of calculation at their current accreted value rather than
15 their face value.

16 §11450. Enforcement of rights and duties

17 Except to the extent that the rights are restricted by any
18 applicable bond resolution or trust or other agreement, any
19 holder of bonds issued under this chapter or a trustee under a
20 trust agreement entered into under this chapter may, by any
21 suitable form of legal proceedings, protect and enforce any
22 rights granted under the laws of the State or by any applicable
23 bond resolution or trust or other agreement.

24 §11451. Bonds as legal investments

25 Bonds issued by the authority under this chapter are hereby
26 made securities in which all public officers and public bodies of
27 the State and its political subdivisions; insurance companies and
28 associations and other persons carrying on an insurance business;
29 trust companies, banks, bankers, banking associations, savings
30 banks and savings associations, including savings and loan
31 associations; financial institutions; credit unions; building and
32 loan associations; investment companies; executors,
33 administrators, trustees and other fiduciaries; pension,
34 retirement funds and profit-sharing; other persons carrying on a
35 banking business; and all other persons may properly and legally
36 invest funds, including capital in their control or belonging to
37 them. These bonds are hereby made securities that may properly
38 and legally be deposited with and received by any state,
39 municipal or public officer or any agency or political
40 subdivision of the State for any purpose for which the deposit of
41 bonds or other obligations of the State is now or may hereafter
42 be authorized by law.

43 §11452. Chapter additional and supplemental

44 1. In general. This chapter provides a complete,
45 additional and alternative method for carrying out the functions
46 authorized and is supplemental and additional to, and the
47

2 limitations imposed by this chapter do not limit or otherwise
4 affect powers or rights conferred by other laws. The issuance of
6 bonds and refunding bonds under this chapter need not comply with
8 the requirements of any other law applicable to the issuance of
10 bonds.

12 2. Institutions of higher education. Notwithstanding any
14 other provision of law or charter, institutions of higher
16 education may borrow money from the authority, make education
18 loans and take all other actions necessary or convenient to
20 consummate the transactions contemplated under this chapter. The
22 authority may establish, contract for, charge and collect any
24 amount or rate of interest or compensation with respect to
26 authority loans. Participating institutions of higher education
28 may contract for, charge and collect any amount or rate of
30 interest or compensation with respect to education loans.
32 Neither the authority nor any institution of higher education
34 participating in a loan program under this chapter may be subject
36 to any licensing provisions relating to financial institutions or
38 any credit regulations of the State.

40 **§11453. Taxable bond option**

42 With respect to all or any portion of any issue of any bonds
44 or any series of bonds that the authority may issue in accordance
46 with the limitations and restrictions of this chapter, the
48 authority may covenant, elect and consent that the interest on
50 the bonds be includable under the code or any subsequent
52 corresponding internal revenue law of the United States in the
gross income of the holders of the bonds to the same extent and
in the same manner that the interest on bills, bonds, notes or
other obligations of the United States is includable in the gross
income of the holders under the code or any subsequent law.
Bonds issued pursuant to this section are not subject to any
limitations or restrictions of any law that may limit the
authority's power to issue those bonds. The foregoing grant of
power may not be construed as limiting the inherent power of the
State or its agencies under any other provision of law to issue
debt, the interest on which is includable in the gross income of
the holders under the code or any subsequent law.

§11454. Agreement of the State

The State hereby pledges to and agrees with the holders of
any bonds issued under this chapter and with those parties who
may enter into any contract with the authority pursuant to this
chapter that the State will not limit, alter, restrict or impair
the rights vested in the authority and the participating
institutions until the bonds, together with interest, including
interest on any unpaid installment of interest and all costs and
expenses in connection with any actions or proceedings by or on
behalf of the bondholders, are fully met and discharged and such

1 contracts are fully performed on the part of the authority.
2 Nothing in this chapter precludes that limitation or alteration
3 if and when adequate provision is made by law for the protection
4 of the holders of bonds of the authority or those entering into
5 contracts with the authority. The authority is authorized to
6 include this pledge and undertaking for the State in those bonds
7 or contracts.

8
9 **§11455. Termination of existence of authority**

10
11 No law terminating the Student Financial Aid Supplemental
12 Loan Program may take effect as long as any bonds of the program
13 are outstanding and unpaid without adequate provision for payment
14 having been made.

15
16 **§11456. Act cumulative; no notice required**

17
18 Nothing in this chapter may be construed as a restriction or
19 limitation upon any powers that the authority might otherwise
20 have under any laws of this State and this chapter is cumulative
21 of any such powers. Neither the making of contracts nor the
22 issuance of bonds pursuant to this chapter need comply with the
23 requirements of any other state law applicable to the making of
24 contracts, the issuance of bonds or the construction, acquisition
25 or management of any project undertaken pursuant to this
26 chapter. No proceedings, notice or approval is required for the
27 issuance of any bonds or any instrument as security therefor,
28 except as is provided in this chapter or in the code, if
29 applicable.

30
31 **§11457. Act liberally construed**

32
33 This chapter being necessary for the welfare of the State
34 and its inhabitants must be liberally construed so as to effect
35 its purposes.

36
37 **Sec. 7. 20-A MRSA c. 430, as amended, is repealed.**

38
39 **Sec. 8. Transfer of funds.** Funds remaining in the account of
40 the Student Financial Aid Transition Advisory Committee after
41 payment of its expenses may not lapse but must be transferred to
42 the account of the Finance Authority of Maine to be used to
43 provide counseling and outreach related services.

44
45 **Emergency clause.** In view of the emergency cited in the
46 preamble, this Act takes effect when approved.

47
48 **STATEMENT OF FACT**

49
50 This bill is submitted pursuant to Public Law 1989, chapter
51 698 to implement the unanimous report of the Student Financial
52 Aid Transition Advisory Committee. The bill repeals the Student

2 Educational Enhancement Deposit Act establishing a prepaid
tuition program. For various reasons that program has not been
4 implemented. The bill replaces the Student Educational
Enhancement Deposit Act with a college savings bond program to be
6 run by the Treasurer of State with assistance from the Finance
Authority of Maine. The savings bond program is designed to
8 provide an investment option to families seeking to save money
for the anticipated costs of higher education that is accessible
to a wide range of families, is adequately funded and easily
10 administered. The bill provides authority for the Finance
Authority of Maine to offer a supplemental loan program, as part
12 of a "one-stop-shopping" financial aid program, which is parallel
to the current Maine Educational Loan Authority loan program.
14 The Finance Authority of Maine supplemental loan program
authorized in the bill could be expanded to provide an auxiliary
16 program which has been referred to as a loan of last resort. The
bill also authorizes the Maine Educational Loan Authority to
18 contract with the Finance Authority of Maine or other appropriate
entity to provide administrative services for the current Maine
20 Educational Loan Authority supplemental loan program. Finally,
the bill transfers funds remaining in the Student Financial Aid
22 Transition Advisory Committee's account after payment of its
expenses to the Finance Authority of Maine for use in providing
24 financial aid counseling and outreach services.