

MAINE STATE LEGISLATURE

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BUSINESS, RESEARCH AND ECONOMIC DEVELOPMENT

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**STATE OF MAINE
SENATE
121ST LEGISLATURE
FIRST REGULAR SESSION**

COMMITTEE AMENDMENT "A" to S.P. 579, L.D. 1625, Bill, "An Act To Provide Affordable Loans for Higher Education"

Amend the bill in section 2 by striking out all of that part designated "§11491." and inserting in its place the following:

§11491. Purpose; program established

The Legislature finds and declares that the provision of a higher education for all residents of this State and for nonresidents attending institutions of higher education within this State who desire a higher education and are properly qualified is important to the welfare and security of this State and consequently is an important public purpose. Many qualified students are deterred by financial considerations from completing their education, with a consequent irreparable loss to the State of talents vital to the welfare of the State and its citizens. Accordingly, there is established the Higher Education Loan Purchase Program to provide greater access to federal loan program loans at a lower cost, enabling all residents of this State as well as nonresidents attending an institution of higher education in this State to attend the institutions of higher education of their choice.'

Further amend the bill in section 2 in that part designated "§11492." in subsection 4 in the 2nd line (page 1, line 48 in L.D.) by inserting after the following: "institution" the following: ', credit union'

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2 Further amend the bill in section 2 in that part designated
4 "~~§11492.~~" by striking out all of subsection 6 and inserting in
its place the following:

6 '6. Finance. "Finance" means the acquisition or
8 refinancing of eligible loans, including through loans to
10 eligible lenders; however, except as otherwise provided in
12 section 11493, subsection 2, the authority is not authorized
14 hereby to originate loans, other than consolidation loans funding
the payment of eligible loans to borrowers of eligible loans
financed by the authority, through a financial institution acting
in the capacity of a trustee on behalf of the authority.'

16 Further amend the bill in section 2 in that part designated
18 "~~§11493.~~" in subsection 1 in the last line (page 2, line 29 in
L.D.) by inserting after the following: "loans" the following:
' , except as otherwise provided in subsection 2 '

20 Further amend the bill in section 2 in that part designated
22 "~~§11493.~~" by inserting after subsection 1 the following:

24 '2. Authorization. The authority is not authorized to
26 originate loans other than consolidation loans, except that, if
the authority finds that there is a significant impediment to
providing students the benefits of an allocation of tax-exempt
bond cap without originating loans, it may adopt rules pursuant
to subsection 3 to allow the authority to originate other loans.'

30 Further amend the bill in section 2 in that part designated
32 "~~§11493.~~" in subsection 2 in the first line (page 2, line 31 in
L.D.) by striking out the following: "2." and inserting in its
place the following: '3.'

34 Further amend the bill in section 2 in that part designated
36 "~~§11494.~~" in subsection 2 by striking out all of paragraphs C and
D (page 3, lines 6 to 18 in L.D.) and inserting in their place
38 the following:

40 'C. Information necessary to comply with the federal Higher
42 Education Act of 1965, Public Law 89-329, 79 Stat. 1219,
44 Title IV, as amended, or the federal Health Professions
46 Educational Assistance Act of 1976, Public Law 94-484, 90
48 Stat. 2243, as amended, in each case along with any
successor provision, or any administrative requirement under
either of those Acts or of any other federal or state law or
rule or with any agreement pertaining to financial
assistance;

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2 D. Information, the disclosure of which the authority
3 determines is necessary or convenient to the sale or
4 transfer of its bonds or loans;'

6 Further amend the bill in section 2 in that part designated
7 "~~§11495.~~" in subsection 1 in the 3rd line (page 3, line 40 in
8 L.D.) by striking out the following: "without limitation" and
9 inserting in its place the following: 'except as otherwise
10 provided by section 11493, subsection 2'

12 Further amend the bill in section 2 in that part designated
13 "~~§11495.~~" in subsection 1 in the 14th line (page 4, line 1 in
14 L.D.) by inserting after the following: "institutions," the
15 following: 'credit unions,'

16 Further amend the bill in section 2 in that part designated
17 "~~§11495.~~" in subsection 1 by striking out all of the first
18 blocked paragraph (page 4, lines 8 to 16 in L.D.) and inserting
19 in its place the following:

20 'Bonds issued by the authority for the purposes of this chapter,
21 the resolution authorizing the issuance of such bonds or any
22 trust agreement securing such bonds may include such provisions,
23 which must be part of the contract with the holders of the bonds
24 of such issue and with any 3rd-party credit or liquidity provider
25 or counterparties to interest rate exchange agreements, as the
26 authority considers necessary or convenient to the security or
27 issuance of the bonds, including without limitation;'

30 Further amend the bill in section 2 in that part designated
31 "~~§11495.~~" in subsection 1 by striking out all of paragraph A
32 (page 4, lines 18 to 28 in L.D.) and inserting in its place the
33 following:

34 'A. Specifying the terms of bonds, including the basis upon
35 which interest accrues on those bonds, which may be fixed,
36 variable, auction-based or adjustable; the date from which
37 interest begins to accrue; the time and manner of principal
38 payment upon scheduled maturity or redemption; the
39 denominations and form, which may include coupon,
40 registered, coupon and registered or book entry; and such
41 privileges as to conversion and for the replacement of
42 mutilated, lost or destroyed bonds as the authority may
43 establish;'

46 Further amend the bill in section 2 in that part designated
47 "~~§11495.~~" in subsection 1 in paragraph H in the 2nd line (page 5,
48 line 10 in L.D.) by striking out the following: "authority of"
49 and inserting in its place the following: 'authority or'
50

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2 Further amend the bill in section 2 in that part designated
"§11495." by striking out all of subsection 2 (page 5, lines 24
to 42 in L.D.) and inserting in its place the following:

4
6 '2. Credit not pledged. Bonds issued under this chapter do
not constitute or create any debt or liability on behalf of the
State, of any political subdivision of the State or the
8 authority, a loan of the credit of the State or a pledge of the
faith and credit of the State, of any political subdivision of
10 the State or the authority, but are payable solely from the funds
provided for the payment of those bonds. All the bonds issued
12 under this chapter must contain a statement to the effect that
the State, any political subdivision of the State or the
14 authority is not obligated to pay the bonds or the interest on
the bonds, except from funds provided for the payment of those
16 bonds pursuant to one or more agreements, and that neither the
faith and credit nor the taxing power of the State or of any
18 political subdivision of the State is pledged to the payment of
the principal of, premium, if any, or the interest on such
20 bonds. The issuance of bonds under this chapter does not
directly or indirectly or contingently obligate the State or any
22 political subdivision of the State to levy or to pledge any form
of taxation whatever or to make any appropriation for the bonds'
24 payment.'

26 Further amend the bill in section 2 in that part designated
"§11495." in subsection 4 in the 4th line (page 6, line 2 in
28 L.D.) by inserting after the following: "institutions" the
following: 'or credit unions'

30
32 Further amend the bill in section 2 in that part designated
"§11495." in subsection 6 in the 2nd line (page 6, line 15 in
L.D.) by striking out the following: "must be" and inserting in
34 its place the following: 'are'

36 Further amend the bill in section 2 in that part designated
"§11496." in subsection 1 in the 3rd line (page 6, line 24 in
38 L.D.) by inserting after the following: "institution" the
following: ', a credit union'

40
42 Further amend the bill in section 2 in that part designated
"§11496." in subsection 2 by striking out all of paragraph A
(page 6, lines 32 to 49 and page 7, lines 1 and 2 in L.D.) and
44 inserting in its place the following:

46 'A. All money received by the authority or received on
behalf of the authority by any eligible lender, servicer,
48 trustee, custodian or collection agent, pursuant to any
resolution, trust agreement or any other agreement
50 authorized by this chapter and pledged pursuant to a

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2 resolution, trust agreement or other agreement for the
4 benefit of the bondholders, whether as proceeds from the
6 sale of bonds or as revenues, is deemed to be trust funds to
8 be held and applied solely as provided in such resolution,
10 trust agreement or other agreement. Subject to the
12 provisions of any such resolution, trust agreement or other
14 agreement, any such money may be invested in such
16 investments and investment agreements as may be approved by
18 resolution of the authority. Any eligible lender, servicer,
20 custodian or collection agent with which such money is
22 deposited is deemed to be holding such money in trust for
24 the benefit of the authority or the bondholders, as
26 specified in the applicable resolution, trust agreement or
28 other agreement and shall apply such money solely for the
30 purposes of this chapter, subject to such restrictions as
32 this chapter, the applicable resolution, trust agreement or
34 other agreement may provide.'

20 Further amend the bill in section 2 by striking out all of
22 that part designated "~~§11497.~~" and inserting in its place the
24 following:

'§11497. Loan transactions

24 Except as otherwise provided in section 11493, subsection 2,
26 the authority may finance, sell, service, pledge, invest in,
28 hold, trade, accept as collateral or otherwise deal in, acquire
30 or transfer, all on such terms and conditions as the authority
32 may specify, any eligible loan or portfolio of loans or loan
34 pass-through certificate, pledge, including any pledge of loan
36 revenue, loan participation certificate or other loan-backed or
38 loan-related security. Any such transaction may be conducted by
40 public or private offering. In connection with the financing or
42 sale of an eligible loan or of a beneficial interest or
44 participation in an eligible loan or portfolio of eligible loans,
46 or other interest in eligible loans, the authority may enter into
48 one or more agreements providing for the origination, guarantee,
50 financing, purchase, sale, servicing, custody, control and
administration of such eligible loan or portfolio of eligible
loans. Any such agreement may provide that the authority, any
other eligible lender, a financial institution, a credit union or
other person may act as trustor, trustee or custodian under the
agreement. Any such agreement may provide that, with respect to
loans governed by the agreement, title to such eligible loans or
portfolio of eligible loans or other interest in eligible loans
is deemed to have been transferred on terms and to the extent
specified in that agreement and that the effect of a sale of an
interest in a loan is the same as a sale of a loan. The
authority may issue or cause to be issued certificates or other
instruments evidencing the holder's fractional interest in a pool

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2 of loans, which interest may be undivided or limited to one or
4 more specific loans. Whether or not the certificates or
6 instruments are of such form or character as to be negotiable
8 instruments under Title 11, Article 3-A, the certificates or
10 instruments are made negotiable instruments within the meaning of
12 and for all purposes of Title 11, Article 3-A, subject only to
14 such registration requirements as the authority may establish.'

16 Further amend the bill in section 2 in that part designated
18 "\$11499." in the first paragraph in the 10th line (page 8, line
20 35 in L.D.) by inserting after the following: "profit-sharing"
22 the following: 'plans'

14
16 **SUMMARY**

18 This amendment limits the Finance Authority of Maine's
20 authority to originate loans to consolidation loans only, unless
22 the authority finds that that limitation is a significant
impediment to providing students with the benefits of the loan
program. The amendment also makes technical changes to the bill.

24 **FISCAL NOTE REQUIRED**
(See attached)



**121st Maine Legislature
Office of Fiscal and Program Review**

LD 1625

An Act to Provide Affordable Loans for Higher Education

LR 2152(02)

Fiscal Note for Bill as Amended by Committee Amendment 'A' S-257

Committee: Business, Research and Economic Development

Fiscal Note Required: Yes

Fiscal Note

Minor cost increase - Other Funds

Fiscal Detail and Notes

The additional cost to the Finance Authority of Maine to establish and administer the Higher Education Loan Purchase Program can be absorbed utilizing existing budgeted resources.