# HOUSE . . . . . No. 3629

By Messrs. Daly of Boston and Navin of Marlborough, petition of Michael J. Daly and John J. Navin for the establishment of a Massachusetts student loan program. Education.

## The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Seventy-Three.

AN ACT PROVIDING FOR THE ESTABLISHMENT OF THE MASSACHUSETTS STUDENT LOAN PROGRAM.

*Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:*

1 Section 1D of chapter 15 of the General Laws is hereby
2 amended by adding the following paragraphs after the last
3 paragraph in that section: –
4 There is hereby established and the Board shall administer
5 the 'Massachusetts Student Loan Program' to assist qualified
6 students to attend eligible educational institutions. The Board
7 shall establish rules and regulations governing said program
8 consistent with the federal laws and regulations pertaining to
9 the Federal Insured Student Loan Program as established by
10 the Higher Education Act of 1965, Public Law 89-329, as
11 amended.
12 For purposes of this Act, the following definitions shall
13 apply: The term 'eligible educational institution' means any
14 post-secondary educational institution within or outside of the
15 Commonwealth which qualifies as an eligible institution for the
16 Federally Insured Student Loan Program under the Higher
17 Education Act of 1965, as amended; the term 'qualified
18 student' means a resident of Massachusetts who has been
19 accepted for enrollment or who is enrolled in an eligible
20 educational institution, and who is otherwise qualified for a
21 student loan guaranteed by the United States. A standard of
22 academic performance higher than the minimum required for
23 continuing enrollment in the eligible institution shall not be
24 required, and the student must be meeting the minimum
25 academic requirements of the eligible institution at the time
26 any loan is made.

The Board shall have the power to sell bonds, with the full credit and financial backing of the Commonwealth, to the extent of 25 million dollars, with additional authority as may from time to time be granted by the General Court. The Board shall have the power to assign the debts of the borrowers to private lending institutions for the purpose of securing an inflow of fresh capital, but with the full credit backing of the Commonwealth, including but not limited to the Student Loan Marketing Association established under the Higher Education Act of 1972.

In addition to the proceeds of bond issues authorized herein, the Board will also use to finance student loans under this program repayments from borrowers, interest payments to the extent such payments are not needed for administration of the program, and other monies, public or private, which may be made available to the program from time to time, and such funds as may be appropriated for this purpose by the General Court.

The Board shall establish rules and regulations for the administration of the loan program, with the provision that all such rules and regulations must be consistent with Public Law 89-329, as amended. Such rules and regulations shall include, but not be limited to, determination of individual annual and total loan amounts, interest rates, and terms of repayment. No payment shall be made to a qualified student or to an eligible institution on behalf of a qualified student until such student has executed a note, guaranteed by the United States, and payable to the Massachusetts Student Loan Program for the full amount of the loan and applicable interest. For purposes of this act, a qualified student has the capacity to contract and is bound by any contract executed by him; the defense that he was a minor at the time he executed a note is not available to him in any action arising on his note. The rate of interest charged the student shall be the maximum authorized by the Federally Insured Student Loan Program. The Board has the power, consistent with the Federal statute, to make individual adjustments on repayment schedules where individual circumstances warrant such action.

The Board shall submit individual student loan applications to eligible institutions to receive the institutional endorsement,

67 and shall then submit these applications, to the extent loan
68 funds are available, to the appropriate Federal office for
69 approval and guarantee. Upon receipt of guaranteed notes the
70 Board shall initiate payment to the eligible institutions on
71 behalf of the students concerned. The guaranteed notes consti-
72 tute collateral for the loans.

73 The Board shall collect interest payments and interest sub-
74 sidies paid on behalf of the qualified student by the United
75 States and shall also collect all interest and principal payments
76 made by the student under the terms of his obligation to the
77 loan program. In the event of default of payment, the Board
78 shall undertake collection, and in the event of failure to collect
79 after such reasonable efforts as are prescribed by Federal
80 Regulations, shall file a claim for payment under the terms of
81 the Federal guarantee. All payments received by the Board
82 shall be deposited in the student loan account, except as
83 provided in the following paragraph.

84 Administrative expenses for the operation of the Student
85 Loan Program shall be covered from interest payments on the
86 loans. Necessary expenses, as determined by the Board, from
87 the enactment of this statute until interest payments are
88 sufficient to cover expenses, shall be advanced from the
89 general fund to be returned to the general fund as soon as
90 interest payments permit. To the extent any Federal admini-
91 strative cost allowances would be available, larger portions of
92 interest payments could be deposited in the student loan
93 program account.