

By Mr. Daly of Boston, petition of Michael J. Daly for legislation to provide for the establishment of the 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 Representative 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 apply:  
13 the term 'eligible educational institution' means any post-secon-  
14 dary educational institution within or outside of the Common-  
15 wealth which qualifies as an eligible institution for the Federally  
16 Insured Student Loan Program under the Higher Education Act  
17 of 1965, as amended; the term 'qualified student' means a  
18 resident of Massachusetts who has been accepted for enrollment  
19 or who is enrolled in an eligible educational institution, and who  
20 is otherwise qualified for a student loan guaranteed by the  
21 United States. A standard of academic performance higher than  
22 the minimum required for continuing enrollment in the eligible  
23 institution shall not be required, and the student must be  
24 meeting the minimum academic requirements of the eligible  
25 institution at the time any loan is made.

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

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

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

64 The Board shall submit individual student loan applications

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

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

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

