

"AN ACT TO AMEND ACT 873 OF 1977, AS AMENDED [ARK. STATS. 80-4032 ET SEQ.], TO AUTHORIZE THE ARKANSAS STUDENT LOAN AUTHORITY TO MAKE AND/OR PURCHASE GUARANTEED EDUCATIONAL LOANS INSURED BY QUALIFIED GUARANTORS; TO REMOVE THE LIMITATION ON OBLIGATIONS THAT MAY BE ISSUED BY THE ARKANSAS STUDENT LOAN AUTHORITY; TO PERMIT THE ISSUANCE OF OBLIGATIONS THE PROCEEDS OF WHICH MAY BE USED TO ACQUIRE INVESTMENT CONTRACTS; DECLARING AN EMERGENCY; AND FOR OTHER PURPOSES."

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Subsection C of Section 2 of Act 873 of 1977, as amended, the same being Ark. Stat. 80-4032C, is hereby amended to read as follows:

"C. 'Guaranteed Educational Loan' means a loan made in accordance with Title IV, Part B of the Higher Education Act of 1965, as amended, to a qualified borrower for payment of educational expenses incurred by a student while attending a participating institution, the payment of principal of and interest on which is insured by the Secretary of Education under the Higher Education Act of 1965, as amended, or by the Student Loan Guarantee Foundation of Arkansas, or by such other guarantors as the Authority may hereafter approve. Guaranteed educational loans include, but are not limited to, Guaranteed Student Loans and Parent Loans for Undergraduate Students (PLUS loans) as authorized by Title IV, Part B of the Higher Education Act of 1965, as amended."

SECTION 2. Subsection (a) of Section 6 of Act 873 of 1977, as amended, the same being Ark. Stat. 80-4036(a), is hereby amended to read as follows:

"(a) In order to provide the necessary funds to carry out the purposes of this Act, the Authority is hereby authorized and empowered to issue obligations from time to time, in such principal amounts, as it may deem necessary. Provided, however, that prior to the issuance of any obligation or the advertisement of revenue bonds for public sale as provided in subsection (c) of this Section, the obligation shall be authorized by resolution of the Authority, and the Board of Finance shall first give its consent by resolution adopted at any regular or special meeting of the Board of Finance to the issuance of any obligation by the Arkansas Student loan Authority under the authority provided herein. Provided, further, that any outstanding obligation, other than revenue bonds, shall be repaid from the proceeds of the next sale of revenue bonds to occur following the issuance of the outstanding obligation."

SECTION 3. Section 8 of Act 873 of 1977, as amended, the same being Ark. Stat. 80-4038, is hereby amended to read as follows:

"Section 8. All proceeds derived from a particular obligation under the provisions of this Act shall be deposited in a fund to be known as the 'Proceeds Fund' which shall be maintained in such bank or banks as shall be determined by the Arkansas Student Loan Authority, and funds deposited therein shall be expended only on approval of the Arkansas Student Loan Authority. A separate and distinct Proceeds Fund shall be maintained for each different obligation issued by the Authority. Funds credited to a Proceeds Fund may be used for any or all of the following purposes:

(a) The payment of the necessary expenses (including, without limitation, the costs of issuing the Authority's obligations) incurred by the

Authority in carrying out its responsibilities under this Act;

(b) The establishment of a debt service reserve account to secure the payment of obligations;

(c) The making of guaranteed educational loans to qualified borrowers who have unsuccessfully made a reasonable effort to obtain educational loans from private lending institutions;

(d) The purchase, either directly or acting through a bank with trust powers for its account, of guaranteed educational loan notes executed after the effective date of this Act by qualified borrowers; and

(e) The acquisition of an investment contract or contracts or any other investments permitted under an indenture of the Authority securing its obligations; provided that the income from such contract, contracts or investments, after payment of the obligations and all expenses associated therewith, shall be used by the Authority to assist in carrying out its purposes under the Act."

SECTION 4. Section 13 of Act 873 of 1977, as amended, the same being Ark. Stat. 80-4043, is hereby amended to read as follows:

"Section 13. All monies received by the Authority or its trustee as repayment of principal or interest (including payments by the United States as subsidies), in payment of the guarantee on guaranteed educational loans made or purchased under the authority of the Act or as income on any other investment authorized by the Act are hereby specifically declared to be cash funds. Such moneys shall not be deposited in the State Treasury but shall be deposited as required by the agreement or trust indenture for each different series of obligations of the Authority, and a sufficient amount of such money shall always be made available to any redemption fund securing outstanding obligations of the Authority to insure their payment and interest thereon as they mature."

SECTION 5. Section 22 of Act 873 of 1977, as amended, the same being Ark. Stat. 80-4052, is hereby amended to read as follows:

"Section 22. The Proceeds Fund and the accounts of the Authority shall be audited annually by the Division of Legislative Audit of the Legislative Joint Auditing Committee."

SECTION 6. It is the intention of this Act to amend such sections or subsections of Act 873 of 1977, as amended, as are specifically mentioned herein, and the remainder of said Act 873 of 1977, as amended, shall remain in full force and effect as enacted until the same shall be further amended or repealed.

SECTION 7. Emergency. It is hereby found and determined by the General Assembly that there is an urgent need to permit the Arkansas Student Loan Authority to make and/or purchase guaranteed educational loans that have been or will be insured by guarantors other than the Secretary of Education or the Student Loan Guarantee Foundation of Arkansas, in order that the Authority may better serve the needs of student borrowers in Arkansas. It is further found that removing the existing limitation on the issuance of obligations by the Authority and permitting the Authority to issue obligations, the proceeds of which may be used to acquire investment contracts, will provide the Authority with the flexibility and financial resources that it requires to carry out the purposes for which it was created. Therefore, an emergency is hereby declared to exist and this Act being necessary for the preservation of the public peace, health and safety shall be in full force and in effect from and after its passage and approval.

APPROVED: 4/4/87

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