

1 **State of Arkansas**
2 **79th General Assembly**
3 **Regular Session, 1993**
4 **By: Senator Wilson**

A Bill

SENATE BILL 743

For An Act To Be Entitled

8 "AN ACT TO PROVIDE FOR AMENDMENTS TO TITLE 6, CHAPTER 81
9 OF THE ARKANSAS CODE ANNOTATED TO CLARIFY THE POWERS AND
10 AUTHORITY OF THE ARKANSAS STUDENT LOAN AUTHORITY; AND FOR
11 OTHER PURPOSES."

Subtitle

14 "AN ACT TO CLARIFY THE POWERS AND AUTHORITY OF THE
15 ARKANSAS STUDENT LOAN AUTHORITY."

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

19 SECTION 1. Arkansas Code Title 6-81-101 is amended to read as follows:

20 "6-81-101. Definitions.

21 As used in this subchapter, unless the context otherwise requires:

22 (1) Board of Finance means the State Board of Finance created by §
23 19-3-101;

24 (2) Arkansas Student Loan Authority or the authority means the
25 Arkansas Student Loan Authority established for the purpose described in §
26 6-81-102;

27 (3) Guaranteed educational loan means a loan made to a qualified
28 borrower for payment of educational expenses incurred by a student while
29 attending a participating institution, the payment of principal of and
30 interest on which is insured by the federal Secretary of Education under the
31 Higher Education Act of 1965, as amended, or by the Student Loan Guarantee
32 Foundation of Arkansas, or by such other guarantors as the authority may
33 approve;

34 (4) Qualified borrower means:

35 A student, or the parent of a student who:

- 1 (i) Qualifies for a guaranteed educational loan; and
- 2 (ii) Is a resident of the State of Arkansas or has been
- 3 accepted for enrollment at or is attending a participating institution within
- 4 the State of Arkansas or is borrowing from a lender doing business within the
- 5 State of Arkansas, including the authority;

6 (5) Participating institution means any post-high school educational

7 institution, public or private, whose students are eligible for guaranteed

8 educational loans;

9 (6) Obligation or bond or bonds means any bond, note,

10 certificate, or other evidence of indebtedness, whether or not the interest on

11 such obligation shall be subject to federal income taxation."

12

13 SECTION 2. Arkansas Code 6-81-117 is repealed.

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15 SECTION 3. Arkansas Code 6-81-122 is amended to read as follows:

16 "6-81-122. Bonds, notes, etc. - Investment of excess funds.

17 Moneys in funds created by resolution or trust indenture of the

18 authority in excess of the amount then necessary for making guaranteed

19 educational loans and purchasing guaranteed educational loan notes under this

20 subchapter or in excess of the amount necessary to meet current debt service

21 may be invested by the authority or on its behalf, in:

22 (1) Direct obligations or obligations whose principal and interest are

23 guaranteed by the United States; and

24 (2) Direct obligations of or participation certificates guaranteed by

25 the Federal Financing Bank, Federal Intermediate Credit Bank, Federal Land

26 Banks, Federal Home Loan Bank, Government National Mortgage Association, or

27 Banks for Cooperatives; and

28 (3) Certificates of deposit of any bank, savings and loan association,

29 or trust company whose deposits are fully secured by a pledge of securities of

30 any kind specified in subdivision (1) or subdivision (2) of this section; and

31 (4) Certificates of deposit of any bank, savings and loan association,

32 or trust company, which deposit is fully insured by the Federal Deposit

33 *Insurance Corporation (FDIC): and*

34 (5) Repurchase agreements sold by any bank, savings and loan

35 association, or trust company, provided the repurchase agreement is fully

1 secured by a pledge of securities of any kind specified in subdivision (1) or
2 subdivision (2) of this section; and

3 (6) General obligations of the state or its political subdivisions; and

4 (7) Obligations, including investment agreements, of any bank, savings
5 and loan association, trust company, or other financial institution, or a
6 holding company thereof, whose credit is rated in either of the top two (2)
7 rating categories by a nationally recognized credit rating service or
8 corporation; and

9 (8) Any other investment permitted by an indenture approved by the
10 authority in connection with the issuance of bonds."

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12 SECTION 4. Arkansas Code 6-81-123 is repealed.

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14 SECTION 5. Arkansas Code 6-81-124 is amended to read as follows:

15 "6-81-124. Student loan funds.

16 (a) All proceeds derived from a particular obligation under the
17 provisions of this subchapter shall be deposited in a fund to be known as the
18 Proceeds Fund which shall be maintained in such bank or banks as shall be
19 determined by the Arkansas Student Loan Authority, and funds deposited in the
20 fund shall be expended only on approval of the Arkansas Student Loan
21 Authority.

22 (b) A separate and distinct proceeds fund shall be maintained for each
23 different obligation issued by the authority.

24 (c) Funds credited to a proceeds fund may be used for any or all of the
25 following purposes:

26 (1) The payment of the necessary expenses, including, without
27 limitation, the costs of issuing the authority's obligations, incurred by the
28 authority in carrying out its responsibilities under this subchapter;

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

31 (3) The making of guaranteed educational loans to qualified
32 borrowers;

33 (4) The purchase, either directly or acting through a bank with
34 trust powers for its account, of guaranteed educational loan notes executed
35 after March 30, 1977, by qualified borrowers; and

1 (5) The acquisition of an investment contract or contracts or any
2 other investments permitted under an indenture of the authority securing its
3 obligations. However, the income from the contract, contracts, or investments,
4 after payment of the obligations and all expenses associated therewith, shall
5 be used by the authority to assist in carrying out its purposes under this
6 subchapter."

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8 SECTION 6. Arkansas Code 6-81-126 is amended to read as follows:

9 "6-81-126. Purchase of student loan note.

10 Prior to purchasing a guaranteed educational loan note under the
11 provisions of this subchapter, the authority shall reasonably determine (i)
12 that the note represents a loan actually disbursed to a qualified borrower ,
13 (ii) that due diligence both in making and collecting the loan has been
14 exercised with respect to that loan, and (iii) that such loan meets such other
15 reasonable criteria as may be established from time to time by the authority."

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17 SECTION 7. Arkansas Code 6-81-127 is amended to read as follows:

18 "6-81-127. Reports.

19 The Arkansas Student Loan Authority shall annually file a report with
20 the Joint Interim Committee on Education of the Arkansas General Assembly
21 showing the aggregate amount of student loans originated or acquired by the
22 authority during the preceding year to students attending four-year, two-year
23 and vocational schools."

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25 SECTION 8. Arkansas Code 6-81-129 is amended to read as follows:

26 "6-81-129. Contracts with entities for certain services authorized.

27 (a) The authority may contract with an agency, financial institution, or
28 corporation, whether organized under the laws of the state or otherwise,
29 whereby such agency, financial institution, or corporation shall provide
30 certain billing, accounting, reporting, or administrative services required
31 for guaranteed educational loan programs administered by the authority or in
32 which the authority participates.

33 (b) The authority may form one (1) or more nonprofit special purpose
34 corporations for accomplishing the purposes set forth in this act. Members of
35 the board and officers of the authority may serve as directors of any such

1 nonprofit corporation. The authority may contract with any such nonprofit
2 corporation, as set forth in subsection (a)."

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4 SECTION 9. All provisions of this act of a general and permanent
5 nature are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas
6 Code Revision Commission shall incorporate the same in the Code.

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8 SECTION 10. If any provision of this act or the application thereof to
9 any person or circumstance is held invalid, such invalidity shall not affect
10 other provisions or applications of the act which can be given effect without
11 the invalid provision or application, and to this end the provisions of this
12 act are declared to be severable.

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14 SECTION 11. All laws and parts of laws in conflict with this act are
15 hereby repealed.

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17 SECTION 12. EMERGENCY. It is hereby found and determined by the
18 General Assembly that there is an urgent need to make clear the power and
19 authority of the Arkansas Student Loan Authority to participate in loan
20 programs supplemental to those programs authorized by the federal Higher
21 Education Act of 1965, as amended, in order to better serve the educational
22 needs of the citizens of the state, and that the amendment of Title 6, Chapter
23 8 of the Arkansas Code will serve to further and accomplish this purpose.
24 Therefore, an emergency is hereby declared to exist and this act being
25 necessary for the immediate preservation of the public peace, health and
26 safety shall be in full force and effect from and after its passage and
27 approval.

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/s/ Senator Wilson