

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

A Bill

SENATE BILL 800

For An Act To Be Entitled

8 "AN ACT TO AMEND VARIOUS SECTIONS OF TITLE 6, CHAPTER 81,
9 SUBCHAPTER 1 OF THE ARKANSAS CODE OF 1987, ANNOTATED, TO
10 CLARIFY THE POWERS AND DUTIES OF THE ARKANSAS STUDENT LOAN
11 AUTHORITY; TO REPEAL ARKANSAS CODE §§ 6-81-117 AND 6-81-
12 123; TO DECLARE AN EMERGENCY; AND FOR OTHER PURPOSES."

Subtitle

14 "AN ACT TO CLARIFY THE POWERS AND DUTIES OF THE ARKANSAS
15 STUDENT LOAN AUTHORITY."
16

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

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20 SECTION 1. Arkansas Code § 6-81-101 is hereby amended to read as
21 follows:

22 "6-81-101. Definitions.

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

24 (1) Board of Finance means the State Board of Finance created by §
25 19-3-101;

26 (2) Arkansas Student Loan Authority or the authority means the
27 Arkansas Student Loan Authority established for the purpose described in §
28 6-81-102;

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

1 (4) Qualified borrower means a student, or the parent of a student,
2 who:

3 (A) Qualifies for a guaranteed educational loan; and

4 (B) Is a resident of the State of Arkansas or has been accepted
5 for enrollment at or is attending a participating institution within the State
6 of Arkansas or is borrowing from a lender doing business within the State of
7 Arkansas, including the authority;

8 (5) Participating institution means any post-high school educational
9 institution, public or private, whose students are eligible for guaranteed
10 educational loans;

11 (6) Obligation or bond or bonds means any bond, note,
12 certificate, or other evidence of indebtedness, whether or not the interest on
13 such obligation shall be subject to federal income taxation."
14

15 SECTION 2. Arkansas Code § 6-81-122 is hereby amended to read as
16 follows:

17 "6-81-122. Bonds, notes, etc. - Investment of excess funds.

18 Moneys in funds created by resolution or trust indenture of the
19 authority in excess of the amount then necessary for making guaranteed
20 educational loans and purchasing guaranteed educational loan notes under this
21 subchapter or in excess of the amount necessary to meet current debt service
22 may be invested by the authority or on its behalf, in:

23 (1) Direct obligations or obligations whose principal and interest are
24 guaranteed by the United States; and

25 (2) Direct obligations of or participation certificates guaranteed by
26 the Federal Financing Bank, Federal Intermediate Credit Bank, Federal Land
27 Banks, Federal Home Loan Bank, Government National Mortgage Association, or
28 Banks for Cooperatives; and

29 (3) Certificates of deposit of any bank, savings and loan association,
30 or trust company whose deposits are fully secured by a pledge of securities of
31 any kind specified in subdivision (1) or subdivision (2) of this section; and

32 (4) Certificates of deposit of any bank, savings and loan association,
33 or trust company, which deposit is fully insured by the Federal Deposit
34 *Insurance Corporation (FDIC): and*

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

1 association, or trust company, provided the repurchase agreement is fully
2 secured by a pledge of securities of any kind specified in subdivision (1) or
3 subdivision (2) of this section; and

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

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

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

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13 SECTION 3. Arkansas Code § 6-81-124 is hereby amended to read as
14 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 4. Arkansas Code § 6-81-126 is hereby amended to read as
9 follows:

10 "6-81-126. Purchase of student loan note.

11 Prior to purchasing a guaranteed educational loan note under the
12 provisions of this subchapter, the authority shall reasonably determine:

13 (1) that the note represents a loan actually disbursed to a qualified
14 borrower;

15 (2) that due diligence both in making and collecting the loan has been
16 exercised with respect to that loan; and

17 (3) that the loan meets other reasonable criteria as may be established
18 from time to time by the authority."

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20 SECTION 5. Arkansas Code § 6-81-127 is hereby amended to read as
21 follows:

22 "6-81-127. Reports.

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

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29 SECTION 6. Arkansas Code § 6-81-129 is hereby amended to read as
30 follows:

31 "6-81-129. Contracts with entities for certain services authorized.

32 (a) The authority may contract with an agency, financial institution, or
33 corporation, whether organized under the laws of the state or otherwise,
34 whereby such agency, financial institution, or corporation shall provide
35 certain billing, accounting, reporting, or administrative services required

1 for guaranteed educational loan programs administered by the authority or in
2 which the authority participates.

3 (b) The authority may form one (1) or more non-profit special purpose
4 corporations for accomplishing the purposes set forth in this act. Members of
5 the board and officers of the authority may serve as directors of any non-
6 profit corporation. The authority may contract with the non-profit
7 corporation, as set forth in subsection (a) of this section."

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9 SECTION 7. All provisions of this act of general and permanent nature
10 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code
11 Revision Commission shall incorporate the same in the Code.

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13 SECTION 8. If any provisions of this act or the application thereof to
14 any person or circumstance is held invalid, the invalidity shall not affect
15 other provisions or applications of the act which can be given effect without
16 the invalid provisions or application, and to this end the provisions of this
17 act are declared to be severable.

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19 SECTION 9. (a) Arkansas Code § 6-81-117 is hereby repealed.

20 (b) Arkansas Code § 6-81-123 is hereby repealed.

21 (c) All laws and parts of laws in conflict with this act are hereby
22 repealed.

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24 SECTION 10. Emergency. It is hereby found and determined by the
25 Seventy-Ninth General Assembly of the State of Arkansas that there is an
26 urgent need to make clear the powers and duties of the Arkansas Student Loan
27 Authority to participate in loan programs supplemental to those programs
28 authorized by the federal Higher Education Act of 1965, as amended, in order
29 to better serve the educational needs of the citizens of Arkansas, and that
30 this act will serve to further and accomplish that purpose. Therefore, an
31 emergency is hereby declared to exist, and this act being necessary for the
32 immediate preservation of the public peace, health, and safety, shall be in
33 full force and effect from and after its passage and approval.

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/s/Senator Wilson