



January 27, 2006

SENATE BILL No. 230

DIGEST OF SB 230 (Updated January 26, 2006 10:34 am - DI 113)

Citations Affected: IC 20-12.

Synopsis: Student loans. Permits the Indiana Secondary Market for Education Loans, Inc. to become a direct lender of postsecondary loans. Allows the board of directors of the corporation to meet in executive session to protect proprietary business information. Repeals the secondary market sale fund.

Effective: Upon passage.

Lubbers, Simpson

January 9, 2006, read first time and referred to Committee on Education and Career Development.

January 19, 2006, reported favorably — Do Pass. Reassigned to Senate Committee on Appropriations.

January 26, 2006, reported favorably — Do Pass.

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SB 230—LS 6838/DI 92+



January 27, 2006

Second Regular Session 114th General Assembly (2006)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2005 Regular Session of the General Assembly.

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SENATE BILL No. 230

A BILL FOR AN ACT to amend the Indiana Code concerning education.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 20-12-21.2-1 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 1. As used in this
3 chapter:
- 4 (1) "corporation" refers to the corporation designated by the
5 governor under section 2 of this chapter;
- 6 (2) "education loan" means a loan insured or guaranteed under a
7 federal or state program or a program of private insurance that is
8 made to assist a student in obtaining postsecondary education and
9 is:
- 10 (A) made to any Indiana student, or either one (1) or both
11 parents or the legal guardian of the student, for the purpose of
12 attending an Indiana or non-Indiana institution;
- 13 (B) made to any non-Indiana student, or one (1) or both
14 parents or the legal guardian of the student, for the purpose of
15 attending an Indiana institution **or non-Indiana institution**;
- 16 or
- 17 (C) made or owned by any lending institution with offices or

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1 by any lending institution whose affiliate has an office located
2 in Indiana or in a state in which an Indiana bank or an Indiana
3 bank holding company is entitled under Indiana law to acquire
4 a bank or bank holding company;

5 (3) "lending institution" means an institution that makes or holds
6 education loans; and

7 (4) "federal program" means any program operated by the United
8 States Secretary of Education under which the United States
9 Secretary of Education provides guarantees or reinsurances of
10 loans made to students or to either one (1) or both parents or the
11 legal guardians of the students for the purpose of assisting
12 students in obtaining postsecondary education.

13 SECTION 2. IC 20-12-21.2-3 IS AMENDED TO READ AS
14 FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) The
15 corporation must, under its articles of incorporation, limit its powers to
16 those described in subsection (b).

17 (b) The corporation may:

18 (1) borrow money;

19 (2) purchase, sell, and retire education loans, if the loans are not
20 in default status;

21 (3) provide incentive services and payments, such as the payment
22 of premiums for the purchase of education loans and the payment
23 of an origination fee, to assist lending institutions that provide
24 education loans;

25 (4) loan funds to lending institutions if:

26 (A) the lending institution agrees to use the funds to originate
27 education loans of an amount equal to the loan made by the
28 corporation over a period agreeable to the corporation and to
29 grant the corporation the right of first refusal to purchase those
30 education loans;

31 (B) the lending institution agrees to use education loans or
32 government securities as collateral for the loan; and

33 (C) the corporation has, in response to its written request,
34 received written authorization from the governor to exercise
35 the power described in this subdivision;

36 (5) establish after consultation with the associations representing
37 the private lenders of the state and, at the direction of the
38 governor, a direct lending program under which the corporation
39 may make education loans to eligible borrowers under a federal
40 program if the corporation determines that the borrowers cannot
41 reasonably obtain an education loan from a lending institution in
42 Indiana;

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1 ~~(6)~~ **(5)** make direct loans to or for the benefit of an education loan
 2 borrower; ~~for the purpose of consolidating all or a portion of the~~
 3 ~~borrower's outstanding education loans into one (1) loan;~~
 4 ~~(7)~~ **(6)** operate a secondary market for postsecondary education
 5 finance instruments, including tuition certificates and education
 6 savings certificates sold by or offered through lending institutions
 7 or educational institutions; and
 8 ~~(8)~~ **(7)** do all other things that are necessary or incidental to
 9 performing the functions listed in subdivisions (1) through ~~(7)~~:
 10 **(6).**

11 (c) The corporation shall submit an annual report to the governor,
 12 which must include detailed information on the structure, operation,
 13 and financial status of the corporation. The corporation shall conduct
 14 an annual public hearing to receive comment from interested parties
 15 regarding the report. Notice of the hearing shall be given at least
 16 fourteen (14) days prior to the hearing in accordance with
 17 IC 5-14-1.5-5(b).

18 (d) The corporation shall provide in its articles of incorporation that
 19 changes in the composition of its directors or in its bylaws are subject
 20 to the approval of the governor.

21 (e) The corporation is subject to an annual audit by the state board
 22 of accounts. The corporation shall bear the full costs of this audit.

23 (f) The board of directors of the corporation may meet in executive
 24 session to **do any of the following:**

- 25 **(1)** Discuss negotiating strategies with respect to financing
- 26 arrangements or proposals, in addition to those items listed in
- 27 IC 5-14-1.5-6.1.
- 28 **(2) Discuss, prepare bids, or respond to proposals or**
- 29 **arrangements for raising capital or acquiring assets.**
- 30 **(3) Discuss and prepare competitive marketing strategies.**
- 31 **(4) Engage in strategic planning.**

32 (g) Any or all members of the board of directors may participate in
 33 a meeting of the board by means of a conference telephone or similar
 34 communications equipment by which a member can communicate with
 35 each of the other board members if at least three (3) board members are
 36 present at the meeting. Participation by these means does not violate
 37 IC 5-14-1.5.

38 (h) The corporation and its transferees and pledgees, so long as they
 39 are eligible lenders under a federal program, are entitled to the benefits
 40 of any guaranty given by the state student assistance commission under
 41 IC 20-12-21.1 or any successor to the state student assistance
 42 commission with respect to education loans owned or held by the

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1 corporation, its transferees, or its pledgees, as long as the corporation,
2 its transferees, or its pledgees are eligible lenders or holders of
3 education loans under the rules adopted under IC 4-22-2 by the state
4 student assistance commission or a successor to the state student
5 assistance commission.

6 (i) Notwithstanding any other law, the ~~commission~~ **corporation**
7 may not make grants for any purpose without approval by the budget
8 agency and the governor after review by the budget committee.

9 SECTION 3. IC 20-12-21.2-10 IS REPEALED [EFFECTIVE
10 UPON PASSAGE].

11 SECTION 4. **An emergency is declared for this act.**

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COMMITTEE REPORT

Madam President: The Senate Committee on Education and Career Development, to which was referred Senate Bill No. 230, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill DO PASS and be reassigned to the Senate Committee on Appropriations.

(Reference is made to Senate Bill 230 as introduced.)

LUBBERS, Chairperson

Committee Vote: Yeas 4, Nays 3.

SENATE MOTION

Madam President: I move that Senator Simpson be added as second author of Senate Bill 230.

LUBBERS

COMMITTEE REPORT

Madam President: The Senate Committee on Appropriations, to which was referred Senate Bill No. 230, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill DO PASS.

(Reference is made to Senate Bill 230 as introduced.)

MEEKS, Chairperson

Committee Vote: Yeas 7, Nays 1.

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