

SENATE BILL No. 532

DIGEST OF INTRODUCED BILL

Citations Affected: IC 21-16.

Synopsis: Higher education student loans. Permits the Indiana Secondary Market for Education Loans, Inc. (corporation) to become a direct lender of postsecondary education loans for purposes of attending both Indiana and non-Indiana postsecondary education institutions. Allows the board of directors of the corporation to meet in executive session to protect proprietary business information. Repeals an obsolete provision concerning the governor's designation of the corporation, and repeals the law that establishes the secondary market sale fund.

Effective: July 1, 2013.

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January 14, 2013, read first time and referred to Committee on Financial Institutions.

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First Regular Session 118th General Assembly (2013)

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 2012 Regular Session of the General Assembly.

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SENATE BILL No. 532



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

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

1 SECTION 1. IC 21-16-1-5, AS ADDED BY P.L.2-2007, SECTION
2 257, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY
3 1, 2013]: Sec. 5. "Education loan" means a **direct loan or** loan insured
4 or guaranteed under a federal or state program or a program of private
5 insurance that is made to assist a student in obtaining postsecondary
6 education and that is:
7 (1) made to any Indiana student, or to either one (1) or both
8 parents or the legal guardian of the student, for the purpose of
9 attending an Indiana or non-Indiana postsecondary educational
10 institution;
11 (2) made to any non-Indiana student, or to one (1) or both parents
12 or the legal guardian of the student, for the purpose of attending
13 an Indiana **or non-Indiana** postsecondary education institution;
14 or
15 (3) made or owned by any lending institution:
16 (A) with an office located in Indiana; or
17 (B) whose affiliate has an office located in Indiana or located



1 in a state in which an Indiana bank or an Indiana bank holding
 2 company is entitled under Indiana law to acquire a bank or
 3 bank holding company.

4 SECTION 2. IC 21-16-1-10, AS ADDED BY P.L.2-2007,
 5 SECTION 257, IS AMENDED TO READ AS FOLLOWS
 6 [EFFECTIVE JULY 1, 2013]: Sec. 10. "Fund":

7 (1) for purposes of IC 21-16-2, refers to the college work study
 8 fund established by IC 21-16-2-2; **and**

9 (2) for purposes of IC 21-16-4, refers to the student loan program
 10 fund established by IC 21-16-4-11. **and**

11 ~~(3) for purposes of IC 21-16-5, refers to the secondary market sale~~
 12 ~~fund established by IC 21-16-5-17.~~

13 SECTION 3. IC 21-16-5-2 IS REPEALED [EFFECTIVE JULY 1,
 14 2013]. ~~Sec. 2: Before designation by the governor under section 1 of~~
 15 ~~this chapter, the corporation shall conduct a public hearing to give all~~
 16 ~~interested parties an opportunity to review and comment upon the~~
 17 ~~bylaws and method of operation of the corporation. Notice of this~~
 18 ~~hearing must be given at least fourteen (14) days before the hearing in~~
 19 ~~the manner set out in IC 5-14-1.5-5(b).~~

20 SECTION 4. IC 21-16-5-3, AS ADDED BY P.L.2-2007, SECTION
 21 257, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY
 22 1, 2013]: Sec. 3. (a) The corporation must, under its articles of
 23 incorporation, limit its powers to those described in subsection (b).

24 (b) The corporation may:

25 (1) borrow money;

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

28 (3) provide incentive services and payments, including the
 29 payment of premiums for the purchase of education loans and the
 30 payment of an origination fee, to assist lending institutions that
 31 provide education loans;

32 (4) loan funds to lending institutions if:

33 (A) the lending institution agrees to use the funds to originate
 34 education loans of an amount equal to the loan made by the
 35 corporation over a period agreeable to the corporation and to
 36 grant the corporation the right of first refusal to purchase those
 37 education loans;

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

40 (C) the corporation has, in response to its written request,
 41 received written authorization from the governor to exercise
 42 the power described in this subdivision;



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1 (5) establish after consultation with the associations representing
 2 the private lenders of Indiana and; at the direction of the governor;
 3 a direct lending program under which the corporation may make
 4 education loans:

5 (A) to eligible borrowers under a federal program; and

6 (B) if the corporation determines that the borrowers cannot
 7 reasonably obtain an education loan from a lending institution
 8 in Indiana;

9 ~~(6)~~ (5) make direct loans to or for the benefit of an education loan
 10 borrower to consolidate all or a part of the borrower's outstanding
 11 education loans into one (1) loan;

12 ~~(7)~~ (6) operate a secondary market for postsecondary education
 13 finance instruments, including tuition certificates and education
 14 savings certificates sold by or offered through lending institutions
 15 or postsecondary educational institutions; and

16 **(7) provide financial literacy and educational tools to**
 17 **students, their families, and Indiana colleges and universities**
 18 **with respect to responsibly financing the costs of higher**
 19 **education; and**

20 (8) do all other things that are necessary or incidental to
 21 performing the functions listed in subdivisions (1) through (7).

22 SECTION 5. IC 21-16-5-7, AS ADDED BY P.L.2-2007, SECTION
 23 257, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY
 24 1, 2013]: Sec. 7. The board of directors of the corporation may meet in
 25 executive session to **do any of the following:**

26 **(1) Discuss negotiating strategies with respect to financing**
 27 **arrangements or proposals, in addition to those items listed in**
 28 **IC 5-14-1.5-6.1.**

29 **(2) Discuss, prepare bids for, or respond to proposals or**
 30 **arrangements for raising capital or acquiring assets.**

31 **(3) Discuss and prepare competitive marketing strategies.**

32 **(4) Engage in strategic planning.**

33 SECTION 6. IC 21-16-5-10, AS ADDED BY P.L.2-2007,
 34 SECTION 257, IS AMENDED TO READ AS FOLLOWS
 35 [EFFECTIVE JULY 1, 2013]: Sec. 10. Notwithstanding any other law,
 36 the **commission corporation** may not make grants for any purpose
 37 without approval by the budget agency and the governor after review
 38 by the budget committee.

39 SECTION 7. IC 21-16-5-17 IS REPEALED [EFFECTIVE JULY 1,
 40 2013]. Sec. 17. (a) The secondary market sale fund is established to
 41 provide money for school assessment testing and remediation,
 42 including reading recovery programs. The fund shall be administered

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1 by the budget agency:
2 (b) The expenses of administering the fund shall be paid from
3 money in the fund. The fund consists of proceeds from the sale of
4 assets of the Indiana Secondary Market for Education Loans;
5 Incorporated:
6 (c) The treasurer of state shall invest the money in the fund not
7 currently needed to meet the obligations of the fund in the same
8 manner as other public funds may be invested. Interest earned from
9 these investments shall be credited to the fund.
10 (d) Money in the fund at the end of a state fiscal year does not revert
11 to the state general fund but remains available to be used for providing
12 money for school assessment testing and remediation, including
13 reading recovery programs as allowed under this chapter.

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