

SECOND REGULAR SESSION

# HOUSE BILL NO. 2432

98TH GENERAL ASSEMBLY

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INTRODUCED BY REPRESENTATIVE KENDRICK.

5247H.011

D. ADAM CRUMBLISS, Chief Clerk

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## AN ACT

To amend chapter 173, RSMo, by adding thereto three new sections relating to higher education student loans.

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*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Chapter 173, RSMo, is amended by adding thereto three new sections, to be  
2 known as sections 173.1460, 173.1461, and 173.1462, to read as follows:

2 **173.1460. 1. Beginning January 1, 2017, the department of higher education may**  
3 **issue loans to eligible borrowers to refinance eligible public or private student loans,**  
4 **provided the amount of the refinancing loan does not exceed the outstanding aggregate**  
5 **principal amount of the original loan. The department is hereby authorized to sell bonds**  
6 **to fund the purchase of loans under this section upon a vote of approval by the**  
7 **coordinating board for higher education. Notwithstanding any other provision of law,**  
8 **bonds issued by the department shall meet the requirements of section 173.1461.**

8 **2. There is hereby established in the state treasury the "Higher Education**  
9 **Refinancing Loan Revolving Fund". Any moneys received by or on behalf of the**  
10 **department of higher education from the repayment of any loan refinanced under this**  
11 **section shall be deposited into the fund. The state treasurer shall administer the fund and**  
12 **shall disburse moneys from the fund to the department of higher education to fund loans**  
13 **originated under subsection 1 of section 173.1462 and to pay appropriate loan servicing**  
14 **fees to the Missouri Higher Education Loan Authority for any loan serviced under**  
15 **subsection 3 of this section. Any unexpended balance remaining in the fund at the end of**  
16 **each biennium shall be exempt from the provisions of section 33.080 relating to the transfer**  
17 **of unexpended balances to the general revenue fund.**

EXPLANATION — Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18           **3. The Missouri higher education loan authority shall service any loan issued under**  
19 **this section, with assistance from the department of higher education.**

20           **4. For purposes of this section, a borrower eligible for refinancing is either:**

21           **(1) An individual who has graduated from an accredited institution of higher**  
22 **education who holds a minimum of an associate's degree and is a resident of the state of**  
23 **Missouri; or**

24           **(2) A parent or guardian of a graduate of an institution of higher education who**  
25 **received or agreed to pay an educational loan on behalf of a graduate who holds a**  
26 **minimum of an associate's degree; both the graduate and the parent or guardian in whose**  
27 **name the loan is held shall be residents of the state of Missouri.**

28           **5. For purposes of this section, "eligible public or private student loans" means any**  
29 **loan that is in repayment and in good standing that was either made by the higher**  
30 **education loan authority or made to a borrower by any other private or governmental**  
31 **lender to finance attendance at any accredited institution of higher education in any state.**

32           **6. Eligible borrowers whose loan or loans are refinanced under this section shall**  
33 **be automatically enrolled in an income-based repayment model. After initial enrollment,**  
34 **borrowers may choose to opt out of the income-based repayment model.**

35           **7. Loans granted under this section shall be issued in a twenty-year repayment**  
36 **plan, with a thirty-year option available. After initial enrollment, borrowers shall be given**  
37 **a low-cost option to change payment plans from a twenty-year or thirty-year repayment**  
38 **plan to a ten-year repayment plan.**

39           **8. The department of higher education shall establish guidelines, criteria, and**  
40 **procedures for issuing loans and selling bonds under this section and may promulgate all**  
41 **necessary rules and regulations for the administration of this section. Any rule or portion**  
42 **of a rule, as that term is defined in section 536.010, that is created under the authority**  
43 **delegated in this section shall become effective only if it complies with and is subject to all**  
44 **of the provisions of chapter 536 and, if applicable, section 536.028. This section and**  
45 **chapter 536 are nonseverable, and if any of the powers vested with the general assembly**  
46 **pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul**  
47 **a rule are subsequently held unconstitutional, then the grant of rulemaking authority and**  
48 **any rule proposed or adopted after August 28, 2016, shall be invalid and void.**

**173.1461. 1. Bonds issued under section 173.1460 shall be of such denomination or**  
2 **denominations, shall bear such rate or rates of interest not to exceed fifteen percent per**  
3 **annum, and shall mature at such time or times within forty years from the date thereof, as**  
4 **the coordinating board for higher education determines. The bonds may be either serial**  
5 **bonds or term bonds.**

6           **2. Serial bonds may be issued with or without the reservation of the right to call**  
7 **them for payment and redemption in advance of their maturity, upon the giving of such**  
8 **notice, and with or without a covenant requiring the payment of a premium in the event**  
9 **of such payment and redemption prior to maturity, as the coordinating board for higher**  
10 **education determines.**

11           **3. Term bonds shall contain a reservation of the right to call them for payment and**  
12 **redemption prior to maturity at such time or times and upon the giving of such notice and**  
13 **upon the payment of such premium, if any, as the coordinating board for higher education**  
14 **determines.**

15           **4. The bonds, when issued, shall be sold at public sale for the best price obtainable**  
16 **after giving such reasonable notice of such sale as may be determined by the board, but in**  
17 **no event shall such bonds be sold for less than ninety-eight percent of the par value thereof**  
18 **and accrued interest. Any such bonds may be sold to the United States of America or to**  
19 **any agency or instrumentality thereof, at a price not less than par and accrued interest,**  
20 **without public sale and without the giving of notice as herein provided.**

21           **5. The bonds, when issued and sold, shall be negotiable instruments within the**  
22 **meaning of the law merchant and the negotiable instruments law, and the interest thereon**  
23 **shall be exempt from income taxes under the laws of the state of Missouri.**

24           **6. The coordinating board for higher education shall not issue revenue bonds under**  
25 **the provisions of section 173.1460 in excess of a total par value of one billion one hundred**  
26 **seventy-five million dollars.**

**173.1462. 1. Beginning January 1, 2017, the department of higher education may**  
2 **originate student loans using proceeds generated from the refinancing of student loans**  
3 **under section 173.1460.**

4           **2. The department of higher education shall establish guidelines, criteria, and**  
5 **procedures for issuing loans under this section and may promulgate all necessary rules and**  
6 **regulations for the administration of this section. Any rule or portion of a rule, as that**  
7 **term is defined in section 536.010, that is created under the authority delegated in this**  
8 **section shall become effective only if it complies with and is subject to all of the provisions**  
9 **of chapter 536 and, if applicable, section 536.028. This section and chapter 536 are**  
10 **nonseverable, and if any of the powers vested with the general assembly pursuant to**  
11 **chapter 536 to review, to delay the effective date, or to disapprove and annul a rule are**  
12 **subsequently held unconstitutional, then the grant of rulemaking authority and any rule**  
13 **proposed or adopted after August 28, 2016, shall be invalid and void.**

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