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Legislative Document

No. 1443

S.P. 544

In Senate, June 4, 2015

An Act To Merge the Maine Educational Loan Authority with the Finance Authority of Maine

Reference to the Committee on Education and Cultural Affairs suggested and ordered printed.

A handwritten signature in cursive script that reads "Heather J.R. Priest".

HEATHER J.R. PRIEST
Secretary of the Senate

Presented by Senator LANGLEY of Hancock. (GOVERNOR'S BILL)

1 **Be it enacted by the People of the State of Maine as follows:**

2 **Sec. 1. 3 MRSA §959, sub-§1, ¶E**, as amended by PL 2013, c. 505, §1, is further
3 amended to read:

4 E. The joint standing committee of the Legislature having jurisdiction over education
5 and cultural affairs shall use the following list as a guideline for scheduling reviews:

- 6 (2) Department of Education in 2021;
- 7 (2-A) State Board of Education in 2021;
- 8 (3) Maine Arts Commission in 2015;
- 9 (5) Maine Historic Preservation Commission in 2015;
- 10 (5-A) Notwithstanding section 952, Maine Historical Society in 2015;
- 11 (6) Maine Library Commission in 2015;
- 12 (6-A) Maine State Cultural Affairs Council in 2015;
- 13 (6-B) Maine State Library in 2015;
- 14 (6-C) Maine State Museum in 2015;
- 15 (7) Maine State Museum Commission in 2015;
- 16 (8) Office of State Historian in 2015;
- 17 (9) Board of Trustees of the Maine Maritime Academy in 2017;
- 18 (10) Board of Trustees of the University of Maine System in 2017;
- 19 (12) Maine Community College System in 2017; and
- 20 (13) Maine Health and Higher Educational Facilities Authority in 2019; and
- 21 ~~(14) Maine Educational Loan Authority in 2019.~~

22 **Sec. 2. 5 MRSA §1547, sub-§3**, as enacted by PL 1999, c. 731, Pt. RRR, §1 and
23 amended by PL 2003, c. 20, Pt. OO, §2 and affected by §4 and amended by PL 2007, c.
24 58, §3, is further amended to read:

25 **3. Component units.** Component units of the State include, but are not limited to,
26 the following organizations: the Loring Development Authority of Maine; the Finance
27 Authority of Maine; ~~the Maine Educational Loan Authority~~; the Maine Municipal Bond
28 Bank; the Maine Health and Higher Education Facilities Authority; the Maine
29 Governmental Facilities Authority; the Maine Maritime Academy; the Maine State
30 Housing Authority; the University of Maine System; the Maine Community College
31 System; and the Maine Public Employees Retirement System. The State Controller may
32 identify additional component units in accordance with standards established by a
33 governmental accounting standards board.

34 **Sec. 3. 5 MRSA §12004-F, sub-§15**, as enacted by PL 1989, c. 503, Pt. A, §11,
35 is repealed.

1 **Sec. 4. 5 MRSA §12021, sub-§6, ¶G**, as enacted by PL 2011, c. 616, Pt. A, §1,
2 is repealed.

3 **Sec. 5. 10 MRSA §363, sub-§8**, as amended by PL 2003, c. 112, §2 and PL 2007,
4 c. 273, Pt. B, §5 and affected by c. 695, Pt. A, §47, is further amended to read:

5 **8. Additional allocation to the Finance Authority of Maine pursuant to Title**
6 **20-A, chapter 417-A.** That portion of the state ceiling allocated to the issuance of bonds
7 by the ~~Maine Educational Loan Authority~~ Finance Authority of Maine pursuant to Title
8 20-A, chapter 417-A must be allocated to the ~~Maine Educational Loan Authority~~ Finance
9 Authority of Maine.

10 A. Prior to issuing loans funded through an allocation of the state ceiling for the
11 issuance of education loans under this section, an issuer or lender must provide to the
12 appropriate agency within the Department of Professional and Financial Regulation
13 examples of the disclosures to be made to loan recipients or obligors. The
14 information must be provided to the Bureau of Financial Institutions if the issuer or
15 lender is a financial institution or credit union established pursuant to state or federal
16 law or to the Bureau of Consumer Credit Protection for all other issuers or lenders.
17 This information must be provided to the appropriate agency within the Department
18 of Professional and Financial Regulation upon request, or in the course of an
19 examination of the issuer or lender by the agency, and must include a description of
20 any interest rate or other discounts offered that clearly identifies all of the terms and
21 conditions of obtaining any discount, a projection of the approximate number or
22 percentage of loan obligors who are likely to benefit from the discounts and any other
23 disclosures pursuant to guidelines established by the Bureau of Financial Institutions
24 and the Bureau of Consumer Credit Protection for the issuance of education loans
25 that would benefit from an allocation of the state ceiling. The Bureau of Financial
26 Institutions and the Bureau of Consumer Credit Protection shall jointly adopt, to the
27 extent allowed by law, rules to carry out the provisions of this paragraph by
28 establishing uniform disclosure requirements and sanctions for noncompliance.
29 Rules adopted pursuant to this paragraph are routine technical rules, as defined in
30 Title 5, chapter 375, subchapter 2-A. All information provided to the appropriate
31 agencies within the Department of Professional and Financial Regulation must
32 include the source of the information and the basis for any projections.

33 B-1. All education loans made under the federal Higher Education Act of 1965, 20
34 United States Code, Chapter 28 that are purchased or originated with proceeds of tax-
35 exempt bonds using a portion of the state ceiling on private activity bonds must be
36 guaranteed by the state agency designated as administrator of federal guaranteed
37 student loan programs pursuant to Title 20-A, chapter 417, subchapter 1, ~~provided~~
38 except that this requirement does not apply to serial loans of a borrower that are
39 guaranteed by a different guarantee agency and acquired or financed with tax-exempt
40 bond proceeds prior to the effective date of this paragraph. The state agency
41 designated as administrator of federal guaranteed student loan programs pursuant to
42 Title 20-A, chapter 417, subchapter 1 shall use its best efforts to provide competitive
43 rates for the guarantee function.

1 **Sec. 6. 10 MRSA §965, sub-§4-A**, as enacted by PL 1999, c. 728, §9, is amended
2 to read:

3 **4-A. Director; serving on more than one board.** With the exception of a member
4 serving in an ex officio capacity pursuant to subsection 4, a member may not serve at the
5 same time as a director or officer of ~~the Maine Educational Loan Authority~~, of any
6 nonprofit corporation formed pursuant to the former Title 20, section 2237 and Title
7 20-A, section 11407 or of any entity that has a contract to provide a significant level of
8 administrative services to the authority, ~~to the Maine Educational Loan Authority~~ or to
9 any nonprofit corporation formed pursuant to the former Title 20, section 2237 and Title
10 20-A, section 11407.

11 **Sec. 7. 20-A MRSA §11407, sub-§3**, as amended by PL 2003, c. 112, §4, is
12 further amended to read:

13 **3. Board of directors.** The board of directors of a nonprofit corporation formed
14 under this section consists of 7 members. Four members representing the public with full
15 voting rights must be appointed by the Governor, subject to review and approval by the
16 joint standing committee of the Legislature having jurisdiction over business and
17 economic development matters and confirmation by the Legislature. The terms of the
18 initial members must be staggered: 2 members must be appointed to 2-year terms and 2
19 members must be appointed to 3-year terms. On the expiration of a term of any member,
20 a successor must be appointed to a 3-year term. A member serves until a successor is
21 appointed and qualified. A member is eligible for reappointment. If a member is
22 appointed to fill a vacancy in an unexpired term, that member may serve only for the
23 remainder of that term until a successor is appointed. An officer, director or employee of
24 a nonprofit corporation formed under this section may not at the same time serve as an
25 officer, director or employee of the ~~Maine Educational Loan Authority~~ Finance Authority
26 of Maine, of the state agency designated as administrator of federal guaranteed student
27 loan programs pursuant to chapter 417, subchapter 1 or of any entity that has a contract to
28 provide a significant level of administrative services to a nonprofit corporation formed
29 under this section, ~~to the Maine Educational Loan Authority~~ or to the state agency
30 designated as administrator of federal guaranteed student loan programs pursuant to
31 chapter 417, subchapter 1.

32 **Sec. 8. 20-A MRSA §11411**, as enacted by PL 1987, c. 807, §3, is repealed and
33 the following enacted in its place:

34 **§11411. Maine Educational Loan Program**

35 There is established the Maine Educational Loan Program, referred to in this chapter
36 as "the program" and administered by the Finance Authority of Maine, to carry out the
37 purposes of this chapter.

38 **Sec. 9. 20-A MRSA §11413, sub-§§1, 2 and 4**, as enacted by PL 1987, c. 807,
39 §3, are amended to read:

1 **1. Authority.** "Authority" means the Finance Authority of Maine, including in its
2 capacity as successor to the Maine Educational Loan Authority and ~~its~~ the Finance
3 Authority of Maine's successors or assigns.

4 **2. Authority loans.** "Authority loans" means loans made under this chapter by the
5 authority to institutions of higher education, students or other persons for the purpose of
6 funding, financing or acquiring education loans.

7 **4. Borrower.** "Borrower" means a student who has received an education loan or
8 any parent who has received or agreed to repay an education loan under this chapter.

9 **Sec. 10. 20-A MRSA §11413, sub-§§7 and 8,** as enacted by PL 1987, c. 807,
10 §3, are amended to read:

11 **7. Default insurance.** "Default insurance" means insurance ~~which~~ that insures
12 authority loans or bonds made or issued under this chapter against default.

13 **8. Default Reserve Fund.** "Default Reserve Fund" means a fund established by the
14 authority for the purpose of securing authority loans or bonds made or issued under this
15 chapter.

16 **Sec. 11. 20-A MRSA §11413, sub-§9,** as amended by PL 1989, c. 502, Pt. A,
17 §59, is further amended to read:

18 **9. Education loan.** "Education loan" means a loan ~~which~~ made under this chapter
19 that is made by the authority or by, or on behalf of, an institution to a student or to parents
20 of a student, or both, in amounts not in excess of the maximum amounts specified by the
21 authority to finance a part or all of the student's cost of attendance at an institution. An
22 education loan ~~shall constitute~~ constitutes an authority loan.

23 **Sec. 12. 20-A MRSA §11413, sub-§§10 and 12,** as enacted by PL 1987, c. 807,
24 §3, are amended to read:

25 **10. Education loan series portfolio.** "Education loan series portfolio" means all
26 education loans made by a specific institution ~~which~~ that are funded from or acquired by
27 the proceeds of an authority loan to the institution of higher education out of the proceeds
28 of a related specific bond issue through the authority under this chapter.

29 **12. Loan funding deposit.** "Loan funding deposit" means money or other property
30 deposited by an institution with the authority or a trustee or custodian, in amounts the
31 authority determines necessary as a condition for an institution's participation in the
32 authority's programs under this chapter, to:

- 33 A. Provide security for bonds;
- 34 B. Fund a default reserve fund;
- 35 C. Acquire default insurance; or
- 36 D. Defray costs of the authority.

1 **Sec. 13. 20-A MRSA §11414**, as enacted by PL 1987, c. 807, §3, is repealed and
2 the following enacted in its place:

3 **§11414. Finance Authority of Maine; successor**

4 The Finance Authority of Maine is the successor to the Maine Educational Loan
5 Authority. All properties, rights in land, buildings and equipment and any funds, moneys,
6 revenues and receipts or assets of the Maine Educational Loan Authority, including funds
7 previously appropriated by the State for the Maine Educational Loan Authority, belong to
8 the Finance Authority of Maine as successor, subject to all liens and pledges thereon
9 made by the Maine Educational Loan Authority. All liabilities of the Maine Educational
10 Loan Authority are liabilities of the Finance Authority of Maine. All contracts and
11 undertakings of the Maine Educational Loan Authority are contracts of the Finance
12 Authority of Maine. Any resolution with respect to the making of loans or issuance of
13 bonds by the Maine Educational Loan Authority and any other action taken by them with
14 respect to assistance provided under this chapter must be a resolution of the Finance
15 Authority of Maine or an action taken by the Finance Authority of Maine. All bond
16 obligations of the Maine Educational Loan Authority and all contracts, agreements,
17 obligations, certifications and undertakings of the Maine Educational Loan Authority are
18 obligations, contracts, agreements, certifications and undertakings of the Finance
19 Authority of Maine, except that nothing in this section may be construed to make any
20 obligation of the Maine Educational Loan Authority that is not a general obligation of the
21 Maine Educational Loan Authority a general obligation of the Finance Authority of
22 Maine, and any limitations on these obligations of the Maine Educational Loan Authority,
23 whether by contract or indenture, are limitations on the obligations of the Finance
24 Authority of Maine as successor. Notwithstanding this section, the Finance Authority of
25 Maine shall administer and carry out, as obligations of the Finance Authority of Maine,
26 all obligations of the Maine Educational Loan Authority.

27 **Sec. 14. 20-A MRSA §11415**, as amended by PL 2005, c. 397, Pt. C, §12, is
28 repealed.

29 **Sec. 15. 20-A MRSA §11416**, as enacted by PL 1987, c. 807, §3, is repealed.

30 **Sec. 16. 20-A MRSA §11417**, as amended by PL 1999, c. 728, §§14 to 16, is
31 further amended to read:

32 **§11417. Supplemental powers and functions**

33 **1. General.** The In addition to the powers given to the authority under Title 10,
34 section 969-A, for the purposes of carrying out the purposes of this chapter, the authority
35 may, subject to any limitation of this chapter:

- 36 A. Borrow money or otherwise obtain credit in its own name;
- 37 B. Lend money or otherwise extend credit to any person and exercise all powers of a
38 lender or creditor;
- 39 C. Insure or guarantee performance of any loan agreement or other obligation;

- 1 D. Acquire, use, manage, improve or dispose of any interest in, or type of, real or
2 personal property, including grant, purchase, sale, borrow, loan, lease, foreclosure,
3 mortgage, assignment or other lawful means, with or without public bidding and also
4 including the assessment of fees, the forgiveness of indebtedness, the receipt of
5 reimbursements for expenses incurred in carrying out its purposes and the
6 expenditure or investment of its funds;
- 7 E. Purchase, sell, service, pledge, invest in, hold, trade, accept as collateral or
8 otherwise deal in, acquire or transfer, on such terms and conditions as the authority
9 may specify, any loan, loan pass-through certificate, pledge, including any pledge of
10 loan revenue, loan participation certificate or other loan-backed or loan-related
11 security;
- 12 F. Obtain, develop or disseminate any information useful or convenient for carrying
13 out any purpose or power of the authority. The authority may conduct hearings, hear
14 testimony under oath, administer oaths, issue subpoenas requiring the attendance of
15 witnesses or the production of records or other things and may issue commissions for
16 the examination of witnesses who are outside of the State, unable to attend or are
17 excused from attendance;
- 18 G. Procure insurance in aid of any of its corporate purposes;
- 19 I. Obtain any certification, warranty, affidavit or other representation necessary or
20 useful for carrying out any of its powers or duties;
- 21 J. Employ persons, including private legal counsel and financial experts, on either a
22 temporary or permanent basis, in order to carry out any of its powers and duties.
23 Employees of the authority ~~shall~~ are not be subject to Title 5, chapters 71 and 372,
24 subchapter H 2;
- 25 K. Sue or initiate or appear in any proceeding. The authority may be sued on its
26 written contracts or in accordance with Title 1, section 409; Title 5, chapter 375; or
27 Title 14, chapter 741;
- 28 ~~L. Maintain an office at a place designated by it within the State;~~
- 29 ~~M. Adopt an official seal and alter it at pleasure;~~
- 30 N. Pursuant to Title 5, chapter 375, subchapter H 2, adopt any rules, including its
31 bylaws, necessary or useful for carrying out any of its powers or duties, which are
32 routine technical rules as defined in Title 5, chapter 375, subchapter 2-A;
- 33 O. Make, modify and carry out any agreement, including issuing any bond,
34 necessary or useful for carrying out any of its powers, duties or purposes; and
- 35 P. Do any act or thing necessary or useful for carrying out any of its powers, duties
36 or purposes.

37 **2. Programs.** Without limiting the generality of this chapter, the authority is
38 authorized to carry out one or more programs making financial and other assistance
39 available to borrowers, institutions, or both, to finance costs of attendance. The authority
40 is further authorized to issue its bonds, lend the proceeds of the bonds and exercise any
41 other power set forth in this chapter for these purposes.

1 **3. Policies.** The members of the authority shall have the power and duty to establish
2 and revise, from time to time, rules pertaining to participation in ~~programs of the~~
3 ~~authority the program~~, issuing bonds and borrowing money by the authority ~~for the~~
4 ~~program~~, a process for allocation and carry-forward of that portion of the state ceiling on
5 issuance of tax-exempt bonds allocated to the authority ~~for the program~~ pursuant to Title
6 10, chapter 9; ~~and~~ servicing and collection of loans made pursuant to ~~programs of the~~
7 ~~authority and other policies governing the operation of the authority the program~~. In
8 addition, the members of the authority may, by resolution of the members, determine that
9 the authority may borrow money ~~for the program~~ in accordance with any such resolution.
10 ~~All other powers and duties of the authority shall be vested in the executive director who~~
11 ~~The authority, by rule, may delegate certain powers to its chief executive officer, and in~~
12 ~~such cases, the chief executive officer shall carry out such powers and duties in~~
13 accordance with this chapter and the rules of the authority.

14 **4. Administration.** ~~In carrying out its powers under this chapter, the authority shall,~~
15 ~~whenever determined desirable by the authority, contract with the secondary market or~~
16 ~~other persons or entities for necessary clerical and administrative services. The contracts~~
17 ~~must be awarded by a competitive bidding process subject to approval by a vote of a~~
18 ~~majority of the members of the authority.~~

19 **5. Loan origination.** The powers of the authority set forth in subsection 1,
20 paragraph B and in subsection 2 are limited as set forth in this subsection. The authority
21 is authorized to originate supplemental loans.

22 **6. Business plan.** ~~Within 90 days after the effective date of this subsection and~~
23 ~~thereafter within the period set forth in Title 5, section 8060, subsection 2, the authority~~
24 ~~shall prepare and distribute to persons who request it a statement of the authority's goals~~
25 ~~and objectives for the calendar year and a regulatory agenda in accordance with Title 5,~~
26 ~~section 8060.~~

27 **7. Operating contracts.** ~~The In carrying out its powers under this chapter, the~~
28 ~~authority shall adopt rules, after notice and hearing in accordance with Title 5, section~~
29 ~~8053, providing that may enter into loan origination, servicing and other substantial~~
30 ~~operating contracts may not be entered into without prior public notice and opportunity~~
31 ~~for interested persons to make proposals. In adopting rules, the members of the authority~~
32 ~~shall, to the extent possible, follow the rules and procedures with respect to the~~
33 ~~competitive bidding process set forth in Title 5, chapter 155, subchapter I A. The~~
34 ~~authority may not enter into any contract except after review of the proposals by the~~
35 ~~members and approval of the contract by the members after consideration of written~~
36 ~~recommendations of the executive director. Rules adopted pursuant to this subsection are~~
37 ~~routine technical rules as defined in Title 5, chapter 375, subchapter II A, in compliance~~
38 ~~with its procurement policies and any applicable authority rule.~~

39 **Sec. 17. 20-A MRSA §11418, sub-§1,** as enacted by PL 1987, c. 807, §3, is
40 amended to read:

41 **1. Confidential information.** Records containing any information acquired by the
42 authority or a member, officer, employee or agent of the authority from applicants for or
43 recipients of financial assistance provided pursuant to a ~~the program administered or~~

1 established by the authority shall be deemed are confidential for purposes of Title 1,
2 section 402, subsection 3, paragraph A.

3 **Sec. 18. 20-A MRSA §11419**, as enacted by PL 1987, c. 807, §3, is repealed.

4 **Sec. 19. 20-A MRSA §11420**, as enacted by PL 1987, c. 807, §3, is amended to
5 read:

6 **§11420. Bonds**

7 **1. Issuance; purpose; payment; authorization; interim receipts or certificates.**

8 The authority may, at any time and from time to time, issue bonds ~~for any corporate~~
9 ~~purpose, including, without limitation,~~ for the purpose of making authority loans to
10 institutions participating in a the program of the authority for the purpose of providing
11 education loans, for acquiring existing portfolios of education loans from institutions or
12 for financing or funding education loans directly or indirectly to borrowers. The bonds of
13 each issue ~~shall~~ must be payable from sources specified in the agreement with
14 bondholders, including without limitation, principal and interest on loans; payments by
15 institutions, banks, insurance companies or others pursuant to letters of credit or purchase
16 agreements; investment earnings from funds or accounts maintained pursuant to a trust
17 agreement or other document; insurance proceeds; loan funding deposits; proceeds of
18 sales of education loans; proceeds of refunding bonds; and other fees, charges or revenues
19 of the authority if so specified.

20 Bonds ~~shall~~ must be authorized by the authority and ~~shall~~ must:

21 A. Bear the date or dates, and mature at a time or times, whether as serial bonds or as
22 term bonds, or both, determined by the authority;

23 B. Bear interest at a rate or rates determined by the authority, including, but not
24 limited to, fixed, variable, floating or adjustable interest rates;

25 C. Be payable at a time or times, in the denominations and form, either coupon or
26 registered or both, and carry the registration and privileges as to conversion and for
27 the replacement of mutilated, lost or destroyed bonds as the authority may establish;

28 D. Be negotiable and be payable in lawful money of the United States at a designated
29 place or be payable in another form of currency if the authority so designates;

30 E. Be subject to redemption in accordance with the agreement with bondholders;

31 F. Be executed by the manual or facsimile signatures of the officers or designees of
32 the authority;

33 G. Be sold in the manner and upon the terms determined by the authority at public or
34 private sale, with or without public bidding;

35 H. Be conclusively presumed to be fully and duly authorized and issued under the
36 laws of the State and any person or governmental unit ~~shall~~ must be estopped from
37 questioning their authorization, sale, issuance, execution or delivery by the authority;
38 and

39 I. Be deemed to be negotiable instruments issued under the laws of the State.

1 Pending preparation of the definitive bonds, the authority may issue interim receipts or
2 certificates, which ~~shall~~ must be exchanged for such definitive bonds.

3 Bonds issued under this chapter ~~shall do~~ not constitute or create any debt or debts,
4 liability or liabilities on behalf of the State or of any political subdivision of the State,
5 other than the authority, or a loan of the credit of the State or a pledge of the faith and
6 credit of the State or of any such political subdivision, other than the authority, but ~~shall~~
7 ~~be are~~ payable solely from the funds provided. All such bonds ~~shall~~ must contain on the
8 face of the bonds a statement to the effect that neither the State nor any political
9 subdivision of the State ~~shall be is~~ obligated to pay the same or the interest on the bonds,
10 except from revenues derived pursuant to one or more agreements, and that neither the
11 faith and credit nor the taxing power of the State or of any political subdivision of the
12 State is pledged to the payment of the principal of, premium, if any, or the interest on
13 such bonds. The issuance of bonds under this chapter ~~shall~~ must not directly or indirectly
14 or contingently obligate the State or any political subdivision of the State to levy or to
15 pledge any form of taxation whatever or to make any appropriation for their payment.
16 Nothing in this section contained may prevent nor be construed to prevent the authority
17 from pledging its full faith and credit or the full faith and credit of an institution to the
18 payment of bonds or issue of bonds authorized pursuant to this chapter.

19 **2. Provisions in bond resolution or other document.** Any bond resolution or other
20 document may contain provisions, which ~~shall~~ must be a part of the contract with the
21 holders of the bonds to be authorized under this chapter, as to:

22 A. Pledging or assigning the revenues derived from authority loans, education loans
23 or other sources with respect to which the bonds are to be issued;

24 B. The fees and other charges to be collected and the sums to be raised in each year,
25 and the use, investment and disposition of such sums;

26 C. The setting aside of loan funding deposits, debt service reserves, capitalized
27 interest accounts, cost of issuance accounts and sinking funds, and the regulation,
28 investment and disposition;

29 D. Limitations on the use of proceeds of loans;

30 E. Limitations on the purpose to which or the investments in which the proceeds of
31 sale of any issue of bonds then or thereafter to be issued may be applied;

32 F. Limitations on the issuance of additional bonds, the terms upon which additional
33 bonds may be issued and secured, the terms upon which additional bonds may rank
34 on a parity with, or be subordinate or superior to, other bonds;

35 G. The refunding or refinancing of outstanding bonds;

36 H. The procedure, if any, by which the terms of any contract with bondholders may
37 be altered or amended and the amount of bonds the holders of which must consent
38 thereto, and the manner in which consent ~~shall~~ must be given;

39 I. Defining the acts or omissions ~~which shall~~ that constitute a default in the duties of
40 the authority to holders of its obligations and providing the rights or remedies of such
41 holders in the event of a default;

1 J. Providing for guarantees, pledges of endowments, letters of credit, property or
2 other security, or insurance for the benefit of the holders of the bonds; and

3 K. Any other matter relating to the bonds ~~which~~ that the authority determines
4 appropriate.

5 **3. Liability.** No member or employee of the authority nor any person executing the
6 bonds issued under this chapter may be liable personally on the bonds or subject to any
7 personal liability by reason of the issuance of the bonds.

8 **4. Purchasing, refunding or refinancing by authority.** The authority may
9 purchase its bonds issued under this chapter out of any available funds and may hold,
10 pledge, cancel or resell the bonds subject to and in accordance with agreements with
11 bondholders.

12 The authority may refund or refinance any of its bonds issued under this chapter.

13 **5. Security for series or issue of bonds.** The authority may pledge the repayments
14 of authority loans as security for a series or issue of bonds issued under this chapter.
15 Notwithstanding any other provision contained in this chapter, the authority may
16 commingle and pledge as security for a series or issue of such bonds, with the consent of
17 all of the institutions ~~which~~ that are participating in the series or issue; the education loan
18 series portfolios and some or all future education loan series portfolios of the institutions;
19 and the loan funding deposits of the institutions if education loan series portfolios and
20 other security and money set aside in any fund or funds pledged for any series or issue of
21 such bonds are held for the sole benefit of the series or issue separate and apart from
22 education loan series portfolios and other security and money pledged for any other series
23 or issue of such bonds of the authority.

24 The authority may provide for transfer of registration of its registered bonds issued
25 under this chapter by book entry on the records of the entity designated for that purpose
26 and may enter into any agreement ~~which~~ it ~~deems~~ considers necessary to accomplish
27 these purposes.

28 **Sec. 20. 20-A MRSA §§11421 and 11422**, as enacted by PL 1987, c. 807, §3,
29 are amended to read:

30 **§11421. Refunding bonds**

31 The authority may provide for issuance of refunding bonds of the authority to refund
32 any outstanding bonds issued under this chapter, including the payment of any
33 redemption premium and any interest accrued or to accrue to the date of redemption, ~~and,~~
34 ~~if deemed advisable by the authority, for any other purpose of the authority.~~ The
35 authority may provide for the issuance of bonds of the authority for the combined purpose
36 of refunding any outstanding bonds, including refunding bonds issued under this chapter.
37 The issuance of the bonds, the maturities and other details, the rights and remedies of the
38 holders and the rights, powers, privileges, duties and obligations of the authority ~~shall be~~
39 are governed by the provisions of this chapter insofar as they are applicable.

1 **§11422. Loan transactions**

2 ~~The~~ In furtherance of the purposes of this chapter, the authority may purchase, sell,
3 service, pledge, invest in, hold, trade, accept as collateral or otherwise deal in, acquire or
4 transfer, all on such terms and conditions as the authority may specify, any loan, loan
5 pass-through certificate, pledge, including any pledge of loan revenue, loan participation
6 certificate or other loan-backed or loan-related security. Any such transaction may be
7 conducted by public or private offering, with or without public bidding. In connection
8 with ~~the~~ such purchase or sale of a loan or of a beneficial interest or participation in a
9 loan, the authority may enter into one or more agreements providing for the custody,
10 control and administration of the loan. Any such agreement may provide that the
11 authority, a financial institution or other person shall act as trustor, trustee or custodian
12 under the agreement. Any such agreement may provide that, with respect to loans
13 governed by the agreement, title to a loan, or to a beneficial interest or participation in a
14 loan, ~~shall~~ must be deemed to have been transferred on terms and to the extent specified
15 in that agreement and that the effect of a sale of a beneficial interest or participation in a
16 loan is the same as a sale of a loan. ~~The~~ In furtherance of the purposes of this chapter, the
17 authority may also issue or cause to be issued certificates or other instruments evidencing
18 the holder's fractional interest in a pool of loans, which interest may be undivided or
19 limited to one or more specific loans. Whether or not the certificates or instruments are
20 of such form or character as to be negotiable instruments under Title 11, Article 8, the
21 certificates or instruments ~~shall~~ must be and are made negotiable instruments within the
22 meaning of and for all purposes of Title 11, Article 8, subject only to such registration
23 requirements as the authority may establish.

24 **Sec. 21. 20-A MRSA §11423, sub-§§2 to 4,** as enacted by PL 1987, c. 807, §3,
25 are amended to read:

26 **2. Pledge.** Any trust agreement entered into pursuant to a bond issue under this
27 chapter may pledge or assign any revenues to be received by the authority or proceeds or
28 benefits of any contract and may serve to convey or mortgage or otherwise secure any
29 property or property rights, contain provisions for protecting and enforcing the rights and
30 remedies of bondholders, restrict the individual right of action by bondholders and
31 contain such other provisions as the authority deems appropriate, including the right to
32 the appointment of a receiver and the right to the issuance of an order of specific
33 performance by a court of competent jurisdiction.

34 **3. Education loan program.** Any expense incurred in carrying out the trust
35 agreement entered into pursuant to a bond issue under this chapter may be treated as a
36 part of the cost of the operation of an education loan program.

37 **4. Valid and binding.** A pledge by the authority of revenues as security for an issue
38 of bonds ~~shall be~~ issued under this chapter is valid and binding from the time when the
39 pledge is made.

40 The revenues pledged ~~shall~~ are immediately ~~be~~ subject to the lien of the pledge without
41 any physical delivery, recording of any instrument or further act and the lien of any
42 pledge ~~shall be~~ is valid and binding against any person having any claim of any kind in

1 tort, contract or otherwise against the authority or any participating institution or
2 borrower, irrespective of whether the person has notice.

3 No bond resolution, trust agreement or financing statement, continuation statement or
4 other instrument adopted or entered into by the authority under this chapter need be filed
5 or recorded in any public record other than the records of the authority in order to perfect
6 the lien against 3rd persons, regardless of any contrary provision of law.

7 **Sec. 22. 20-A MRSA §11424, sub-§1**, as amended by PL 2011, c. 401, §1, is
8 further amended to read:

9 **1. Capital reserve fund.** ~~The~~ In connection with bonds issued under this chapter,
10 the authority may create and establish one or more capital reserve funds and may pay into
11 any such capital reserve fund any money appropriated and made available by the State for
12 the purposes of any such fund, any proceeds of the sale by the authority of bonds to the
13 extent determined by the authority and any other money available to the authority. ~~The~~
14 ~~authority may not create or establish any capital reserve fund under this section after June~~
15 ~~30, 2017.~~

16 **Sec. 23. 20-A MRSA §11424, sub-§2**, as amended by PL 2009, c. 40, §2, is
17 further amended to read:

18 **2. Application.** Money held in any capital reserve fund created in connection with
19 bonds issued under this chapter, except as provided in this section, ~~shall~~ must be used
20 solely with respect to bonds, repayment of which is secured by any such fund and solely
21 for the payment of principal of bonds, the purchase or redemption of those bonds,
22 including any fees or premiums and the payment of interest on those bonds. In addition,
23 if the authority obtains a letter of credit, insurance contract, surety bond or similar
24 financial undertaking to establish and fund a capital reserve fund under this section,
25 money in that capital reserve fund may be used to pay, as and when due, all
26 reimbursement obligations of the authority established in connection with that letter of
27 credit, insurance contract, surety bond or similar financial undertaking, including, but not
28 limited to, all fees, expenses, indemnities and commissions. Money in excess of the
29 reserve requirement set forth in subsection 3 may be transferred to other funds and
30 accounts of the authority.

31 **Sec. 24. 20-A MRSA §11424, sub-§4**, as enacted by PL 1987, c. 807, §3, is
32 amended to read:

33 **4. Issuance limit.** The authority may provide that it ~~shall~~ will not issue bonds under
34 this chapter if the capital reserve requirement with respect to bonds outstanding and then
35 to be issued and secured by any such fund will exceed the amount of any such fund at the
36 time of issuance, unless the authority, at the time of issuance of the bonds, ~~shall deposit~~
37 deposits in any such fund from proceeds of the bonds to be issued, or from other sources,
38 an amount ~~which~~ that, together with the amount then in any such fund, will not be less
39 than the capital reserve requirement.

40 **Sec. 25. 20-A MRSA §11427**, as amended by PL 1999, c. 728, §17, is further
41 amended to read:

1 **§11427. Accounts and reports**

2 The authority shall keep full and accurate accounts of its activities and operations
3 under this chapter and shall, within 120 days after the end of each of its fiscal years, make
4 and deliver a report to the Governor, the Speaker of the House, the President of the
5 Senate and the joint standing committee of the Legislature having jurisdiction over
6 education. The report must cover the preceding fiscal year and must include a complete
7 operating and financial statement for that year and a breakdown showing the geographic
8 distribution and distribution between institutions of higher learning of its student loans
9 among residents of this State. The report must demonstrate that all revenues, including
10 reserves, that are acquired with proceeds of tax-exempt bonds issued under this chapter
11 using a portion of the state ceiling on private activity bonds, are being used in a manner
12 consistent with the public purpose for which the bonds are issued. The authority shall
13 cause an audit of its books and accounts related to its operations under this chapter to be
14 made at least once each year by independent certified public accountants ~~and the~~. The
15 audit may be combined with audits of other activities of the authority. The cost must of
16 the audit may be paid by the authority from funds available to it pursuant to this chapter.

17 **Sec. 26. 20-A MRSA §§11429, 11431, 11432, 11433 and 11434**, as enacted
18 by PL 1987, c. 807, §3, are amended to read:

19 **§11429. Tax exemption**

20 The exercise of the powers granted by this chapter ~~shall~~ must be in all respects for the
21 benefit of the people of the State, for the increase of their commerce, welfare and
22 prosperity and for the improvement of their health and living conditions and constitutes
23 the performance of an essential governmental function. Neither the authority nor any of
24 its agents may be required to pay any taxes or assessments upon or in respect of education
25 loans or any property acquired, used by the authority or any of its agents or under the
26 jurisdiction, control, possession or supervision of, or upon the activities of, the authority
27 or any of its agents in the operation of any program under this chapter, or upon income or
28 other revenues received and any bonds issued under this chapter, the transfer and the
29 income from the bonds, including any profit made on the sale of the bonds, as well as the
30 income and property of the authority derived under this chapter, are at all times exempt
31 from taxation of every kind by the State and by the municipalities and all other political
32 subdivisions of the State.

33 **§11431. Agreement of the State**

34 The State hereby pledges to and agrees with the holders of any bonds issued under
35 this chapter and with those parties who may enter into any contract with the authority
36 pursuant to this chapter that the State will not limit, alter, restrict or impair the rights
37 vested in the authority and the participating institutions under this chapter until the bonds,
38 together with interest, including interest on any unpaid installment of interest and all costs
39 and expenses in connection with any actions or proceedings by or on behalf of the
40 bondholders, are fully met and discharged and such contracts are fully performed on the
41 part of the authority. Nothing in this chapter precludes that limitation or alteration if and
42 when adequate provision is made by law for the protection of the holders of bonds of the
43 authority issued under this chapter or those entering into contracts with the authority

1 pursuant to this chapter. The authority is authorized to include this pledge and
2 undertaking for the State in those bonds or contracts.

3 **§11432. Termination of existence of authority**

4 ~~The authority in its corporate existence shall continue until terminated by law but no~~
5 ~~A law terminating its the existence shall of the authority may not~~ take effect as long as
6 any bonds of the authority issued under this chapter are outstanding and unpaid without
7 adequate provision for payment having been made. ~~Upon termination of its existence, all~~
8 ~~rights, privileges and property of the authority shall pass to and be vested in the State or~~
9 ~~such entity as the State by proper act shall designate.~~

10 **§11433. Chapter cumulative; no notice required**

11 Neither this chapter nor anything contained in this chapter may be construed as a
12 restriction or limitation upon any powers ~~which that~~ the authority might otherwise have
13 under any laws of this State and this chapter is cumulative of any such powers. Neither
14 the making of contracts nor the issuance of bonds pursuant to this chapter need comply
15 with the requirements of any other state law applicable to the making of contracts, the
16 issuance of bonds or the construction, acquisition or management of any project
17 undertaken pursuant to this chapter. No proceedings, notice or approval ~~shall be is~~
18 required for the issuance of any bonds or any instrument as security therefor under this
19 chapter, except as is provided in this chapter or in the code, if applicable.

20 **§11434. Chapter liberally construed**

21 This chapter being necessary for the welfare of the State and its inhabitants ~~shall~~ must
22 be liberally construed so as to effect its purposes.

23 **Sec. 27. 20-A MRSA §11435**, as amended by PL 2005, c. 397, Pt. B, §4, is
24 repealed.

25 **Sec. 28. Maine Revised Statutes headnote amended; revision clause.** In
26 the Maine Revised Statutes, Title 20-A, chapter 417-A, in the chapter headnote, the
27 words "maine educational loan authority" are amended to read "maine educational loan
28 program" and the Revisor of Statutes shall implement this revision when updating,
29 publishing or republishing the statutes.

30 **Sec. 29. Transition.** All books, records, papers, documents, contracts, obligations,
31 liabilities and pending business in any way pertaining to the Maine Educational Loan
32 Authority are transferred to the Finance Authority of Maine as successor to the Maine
33 Educational Loan Authority, but any rights or obligations of any person under any
34 contract made by the Maine Educational Loan Authority are unaffected by this transfer.
35 All bonds, notes or other evidences of indebtedness outstanding on the effective date of
36 this Act are unaffected by the Finance Authority of Maine becoming successor to the
37 Maine Educational Loan Authority. A rule, regulation, standard, criterion or guideline
38 adopted, established or approved by the Maine Educational Loan Authority pursuant to
39 an exercise of any right, power, duty or responsibility assumed by and transferred to the
40 Finance Authority of Maine under the Maine Revised Statutes, Title 20-A, chapter 417-A

1 is not affected by this assumption and transfer, and all such rules, regulations, standards,
2 criteria and guidelines become those of the Finance Authority of Maine until such time as
3 they are amended or repealed by the Finance Authority of Maine.

4 It is hereby determined that by virtue of the amendments to Title 20-A, chapter 417-A
5 providing that the Finance Authority of Maine is the successor to the Maine Educational
6 Loan Authority, adequate provision is being made by law for the protection of the holders
7 of bonds of the Maine Educational Loan Authority and adequate provision for payment
8 has been made by the assumption of these bonds by the Finance Authority of Maine and
9 that adequate provision has been made by law for the protection of all others who have
10 entered into contracts with the Maine Educational Loan Authority.

11 As successor to the Maine Educational Loan Authority, the Finance Authority of
12 Maine affirmatively assumes and agrees to be obligated in the place of the Maine
13 Educational Loan Authority and to continue to abide by the terms of all bonds and all
14 documents, contracts and undertakings in connection with the bonds.

15 **Sec. 30. Contingent effective date.** This Act does not take effect until the
16 Executive Director of the Maine Educational Loan Authority certifies in writing to the
17 Chief Executive Officer of the Finance Authority of Maine that any consents required
18 under documents of the Maine Educational Loan Authority in connection with
19 outstanding bonds of the Maine Educational Loan Authority, if any, have been received.
20 Copies of this certification must be submitted by the Chief Executive Officer of the
21 Finance Authority of Maine to the Secretary of State, the Secretary of the Senate, the
22 Clerk of the House of Representatives and the Revisor of Statutes. In no event may this
23 Act take effect until 90 days after the adjournment of the First Regular Session of the
24 127th Legislature.

25 **SUMMARY**

26 This bill merges the Maine Educational Loan Authority with the Finance Authority of
27 Maine.