

HCS HB 1273 -- HIGHER EDUCATION LOAN AUTHORITY

SPONSOR: Kendrick

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Higher Education by a vote of 9 to 1. Voted "Do Pass" by the Rules- Administrative Oversight Committee by a vote of 13 to 0.

This bill gives the Missouri Higher Education Loan Authority (MOHELA) the authority to issue specified bonds, including bonds that are eligible for federal tax credits, exemptions, or payments and to refinance certain public or private loans when the borrower is eligible (Section 173.385, RSMo).

Beginning January 1, 2019, the authority may refinance an eligible loan as long as the borrower is eligible and the loan does not exceed the outstanding aggregate principal amount of the original loan. The bill describes an eligible borrower as a graduate or parent or guardian of a graduate who received or agreed to pay an education loan on behalf of the graduate. The graduate must have a minimum of an associate's degree from an eligible institution and all borrowers must be residents of Missouri (Section 173.441).

The bill also allows MOHELA to issue tax-exempt bonds, to the extent allowed under the Internal Revenue Code of the United States, if MOHELA finds that such issuance is necessary, is in the public interest, and is in furtherance of the purposes and powers of MOHELA. The interest rate of any bond must not have an interest rate of more than 15% per annum and the bond must mature within 40 years from the issue date, as determined by MOHELA.

MOHELA may issue serial or term bonds. Serial bonds may be issued with or without the reservation of the right to call them for payment and redemption in advance of their maturity, upon notice, and with or without a covenant requiring the payment of a premium in the event of such payment and redemption prior to maturity, as MOHELA determines. Term bonds must contain a reservation of the right to call them for payment and redemption prior to maturity upon given notice and the payment of a premium, if any, as determined by MOHELA. The bonds will be sold at public sale for the best price obtainable but will not be sold for less than 98% of the par value thereof and accrued interest. The bonds may be sold to the United States of America or to any agency or instrumentality thereof, at a price not less than par and accrued interest, without public sale and without giving notice. Such bonds, when issued and sold, will be negotiable instruments and the interest thereon will be exempt from income taxes under the laws of the state of Missouri (Section 173.443).

After January 1, 2019, MOHELA reports filed with the Department of Higher Education must include information about the loans refinanced under the provisions of Section 173.441 (Section 173.445).

This bill is similar to HB 621 (2017).

PROPONENTS: Supporters say that giving MOHELA the option to refinance eligible loans could improve competition in the student loan refinance market and potentially give Missouri graduates better options and opportunities to save money on their student loans.

Testifying for the bill were Representative Kendrick; Associated Students of the University of Missouri; Paul Wagner, Council on Public Higher Education; and the Missouri Community College Association.

OPPONENTS: There was no opposition voiced to the committee.