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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2016

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A N A C T

RELATING TO EDUCATION - STUDENT LOAN AUTHORITY

Introduced By: Senators Gallo, Pearson, and DiPalma

Date Introduced: February 11, 2016

Referred To: Senate Finance

It is enacted by the General Assembly as follows:

1 SECTION 1. Sections 16-62-6, 16-62-9 and 16-62-13 of the General Laws in Chapter 16-
2 62 entitled "The Rhode Island Student Loan Authority" are hereby amended to read as follows:

3 **16-62-6. Additional general powers.** -- In addition to the powers enumerated in § 16-62-
4 5, the authority shall have the power:

5 (1) To lend money to students and to parents of students and to refinance or consolidate
6 eligible loans and education loans previously made to a student or parent by the authority or other
7 lending sources for the purpose of assisting the ~~students~~ student in obtaining an education in an
8 eligible institution, including refinancing or consolidating obligations previously incurred by a
9 student or a parent with other lending sources for this purpose and participating in loans to
10 students or parents for this purpose with other lending sources.

11 (2) To make, acquire, take, or purchase eligible loans and education loans with the
12 proceeds of bonds or notes or any other funds of the authority available for it or any interest or
13 participation in it, in any amount, at any price or prices, and upon any terms and conditions as the
14 authority will determine.

15 (3) To sell eligible loans held by the authority to governmental or private financial
16 institutions, or to borrow from those financial institutions against the security of these eligible
17 loans in any amounts, at any price or prices, and upon any terms and conditions as the authority
18 shall determine.

19 (4) To procure insurance of every nature or to enter into agreements with eligible

1 institutions to protect the authority against losses which may be incurred in connection with its
2 property, assets, activities, or the exercise of the powers granted under this chapter.

3 (5) Subject to a contract with the holders of its bonds or notes, or a contract with the
4 recipient of an eligible loan, when the authority deems it necessary or desirable, to consent to the
5 modification, with respect to security, rate of interest, time of payment of interest or principal, or
6 any other term of a bond or note, contract, or agreement between the authority and the recipient
7 or maker of a loan, bond, or note holder, or agency or institution guaranteeing the repayment,
8 purchasing, or selling of an eligible loan.

9 (6) To engage the services of consultants on a contract basis for rendering professional
10 and technical assistance and advice, and to employ attorneys, accountants, financial experts, and
11 any other advisors, consultants, and agents that may be necessary in its judgment, and to fix their
12 compensation.

13 (7) To contract for and to accept any gifts, grants, loans, funds, property (real or
14 personal), or financial or other assistance in any form from the United States or any agency or
15 instrumentality of it or from the state or any agency or instrumentality of it or from any other
16 source, and to comply, subject to the provisions of this chapter, with the terms and conditions of
17 it.

18 (8) To borrow money and to issue bonds and notes and to provide for the rights of the
19 holders of these, and to secure the bonds and notes by assignment, pledge, or granting of a
20 security interest in its property, including without limitation all or a part of its interest in eligible
21 loans, education loans, or agreements with eligible institutions with regard to these for the
22 purpose of providing funds to effectuate its purposes under this chapter including the financing of
23 eligible loans or education loans or for the purpose of refunding any bonds previously issued.

24 (9) To prescribe rules and regulations deemed necessary or desirable to carry out the
25 purposes of this chapter, including without limitation rules and regulations: (i) to ensure
26 compliance by the authority with the requirements imposed by statutes or regulations governing
27 the guaranty, insurance, purchase, or other dealing in eligible loans by federal agencies,
28 instrumentalities, or corporations, and (ii) to set standards of eligibility for educational
29 institutions, students, and lenders and to define residency and all other terms as the authority
30 deems necessary to carry out the purposes of this chapter.

31 (10) To establish penalties for violations of any order, rule, or regulation of the authority,
32 and a method for enforcing the orders, rules, and regulations.

33 (11) To set and collect fees and charges in connection with its eligible loans,
34 commitments, and servicing, including without limitation reimbursement of the costs of financing

1 by the authority, service charges, insurance premiums, and costs incurred by the authority in
2 carrying out its corporate purposes.

3 (12) To create and establish any other fund or funds that may be necessary or desirable
4 for its corporate purposes.

5 **16-62-9. Bonds and notes of the authority.** -- (a) The authority shall have the power and
6 is authorized to issue its negotiable bonds and notes in one or more series in any principal
7 amounts as in the opinion of the authority shall be necessary to provide sufficient funds for
8 achieving its purposes, including the payment of interest on bonds and notes of the authority, the
9 establishment of reserves to secure these bonds and notes, and the making of all other
10 expenditures of the authority incident to and necessary or convenient to carrying out its corporate
11 purposes and powers.

12 (b) All bonds and notes issued by the authority may be secured by the full faith and
13 credit of the authority, or may be payable solely out of revenues and receipts derived from the
14 pledge or assignment of, grant of security interest in, or sale of eligible loans or education loans
15 owned by it or any part of it, or out of receipts upon repayment of any eligible loans or education
16 loans or any part of these made to students or to parents, legal guardians, or sponsors of students,
17 or to institutions or lenders, or upon the undisbursed proceeds of the bonds or notes, or upon
18 guaranty payments of principal and interest on eligible loans, or upon interest subsidy payments,
19 or upon investment earnings of any of these revenues, receipts, proceeds or payments, or upon
20 any other form of security available to the authority for this purpose, all as may be designated in
21 the proceedings of the authority under which the bonds or notes shall be authorized to be issued.
22 The bonds and notes may be executed and delivered by the authority at any time, may be in any
23 form and denominations and of any tenor and maturities, and may be in bearer form or in
24 registered form, as to principal and interest or as to principal alone, all as the authority may
25 determine.

26 (c) Bonds may be payable in any installments, and at any times not exceeding forty (40)
27 years from their date, as shall be determined by the authority.

28 (d) Notes and any renewals of notes may be payable in any installments and at any times
29 not exceeding ten (10) years from the date of the original issue of the notes, as shall be
30 determined by the authority.

31 (e) Bonds and notes may be payable at any places, whether within or without the state,
32 may bear interest at any rate or rates payable at any time or times and at any place or places and
33 evidenced in any manner, and may contain any provisions not inconsistent with this section, all as
34 shall be provided in the proceedings of the authority under which they shall be authorized to be

1 issued.

2 (f) There may be retained by provisions made in the proceedings under which any bonds
3 or notes of the authority are authorized to be issued an option to redeem all or any part of these, at
4 any prices and upon any notice, and on any further terms and conditions as shall be set forth on
5 the record of those proceedings and on the face of the bonds or notes.

6 (g) Any bonds or notes of the authority may be sold at any prices, at public or private
7 sale, and in any manner as shall be determined by the authority, and the authority shall pay all
8 expenses, premiums, and commissions as it shall deem necessary or advantageous in connection
9 with the issuance and sale of these.

10 (h) Money of the authority, including without limitation revenues, receipts, proceeds,
11 payments, or earnings listed in subsection (b), may be invested and reinvested in any obligations,
12 securities, and other investments consistent with the purposes of this chapter including, but not
13 limited to, bonds and notes of the authority as shall be specified in the resolutions under which
14 the bonds or notes are authorized. In no case shall such investment in bonds or notes of the
15 authority constitute an extinguishment of the obligations represented by such bonds and notes.

16 (i) Issuance by the authority of one or more series of bonds or notes for one or more
17 purposes shall not preclude it from issuing other bonds or notes for the same purpose or purposes,
18 but the proceedings where any subsequent bonds or notes may be issued shall recognize and
19 protect a prior pledge or mortgage made for a prior issue of bonds or notes unless in the
20 proceedings authorizing the prior issue the right is reserved to issue subsequent bonds or notes on
21 a parity with that prior issue.

22 (j) The authority is authorized to issue bonds or notes for the purpose of refunding its
23 bonds or notes outstanding, including the payment of any redemption premium on them and any
24 interest accrued or to accrue to the earliest or subsequent date of redemption, purchase, or
25 maturity of the bonds or notes. The proceeds of bonds or notes issued for the purpose of
26 refunding outstanding bonds or notes may be applied, in the discretion of the authority, to the
27 purchase, retirement at maturity, or redemption of the outstanding bonds or notes either on their
28 earliest or a subsequent redemption date, and may, pending that application, be placed in escrow.
29 These escrowed proceeds may be invested and reinvested in obligations of or guaranteed by the
30 United States, or in certificates of deposit or time deposits or repurchase agreements, fully
31 secured or guaranteed by the state or the United States, or an instrumentality of either, maturing at
32 any time or times as shall be appropriate to assure the prompt payment, as to principal, interest,
33 and redemption premium, if any, of the outstanding bonds or notes to be refunded. The interest,
34 income, and profits, if any, earned or realized on this investment may also be applied to the

1 payment of the outstanding bonds or notes to be refunded. After the terms of the escrow have
2 been fully satisfied and carried out, any balance of the proceeds and interest, income, and profits,
3 if any, earned or realized on the investments of these may be returned to the authority for use by it
4 in furtherance of its purposes. All these bonds or notes shall be issued and secured and shall be
5 subject to the provisions of this chapter in the manner and to the same extent as any other bonds
6 or notes issued pursuant to this chapter.

7 (k) The directors, officers of the authority, and other persons executing the bonds shall
8 not be subject to personal liability or accountability by reason of the issuance of these.

9 (l) Bonds or notes may be issued under the provisions of this chapter without obtaining
10 the consent of any department, division, commission, board, body, bureau, or agency of the state,
11 and without any other proceedings, conditions, or things other than those proceedings, conditions,
12 or things which are specifically required by this chapter and by the provisions of the resolution
13 authorizing the issuance of those bonds or notes or the trust agreement securing this.

14 (m) The authority, subject to any agreements with noteholders or bondholders as may
15 then be in force, shall have power out of any funds available for this to purchase bonds or notes of
16 the authority, which shall then be cancelled, at a price not exceeding:

17 (1) If the bonds or notes are then redeemable, the redemption price then applicable plus
18 accrued interest to the next interest payment date, or

19 (2) If the bonds or notes are not then redeemable, the redemption price applicable on the
20 earliest date that the bonds or notes become subject to redemption, plus the interest that would
21 have accrued to that date.

22 (n) Whether or not the bonds and notes are of the form and character as to be negotiable
23 instruments under the terms of the Rhode Island Uniform Commercial Code, title 6A, the bonds
24 and notes are made negotiable instruments within the meaning of and for all of the purposes of
25 the Rhode Island Uniform Commercial Code, subject only to the provisions of the bonds and
26 notes for registration.

27 (o) If a director or officer of the authority whose signature appears on the bonds, notes,
28 or coupons shall cease to be a director or officer before the delivery of those bonds or notes, that
29 signature shall be valid and sufficient for all purposes, as if the director or officer had remained in
30 office until the delivery.

31 (p) The authority shall also have the power out of any funds available to purchase bonds
32 and notes of the authority if the authority determines that such purchases will stabilize or make
33 the market for the authority's bonds more efficient. Such purchases shall not result in the
34 extinguishment of the debt of the authority represented by such bonds or notes. At the discretion

1 of the authority, such bonds and notes may be held until the purpose of the purchase has been
2 effected and then sold to the market or used as a credit against future redemptions or maturities.

3 **16-62-13. Notes and bonds as legal investments.** -- The notes and bonds of the authority
4 are made securities in which all public officers and bodies of this state and all municipalities and
5 municipal subdivisions, including, but not limited to, the authority, all companies and
6 associations and other persons carrying on an insurance business, all banks, bankers, trust
7 companies, savings banks and savings associations, including savings and loan associations,
8 building and loan associations, investment companies, and other persons carrying on a banking
9 business, all administrators, guardians, executors, trustees, and other fiduciaries, and all other
10 persons who are now or may after this be authorized to invest in bonds or other obligations of the
11 state, may properly and legally invest funds, including capital, in their control or belonging to
12 them.

13 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
A N A C T
RELATING TO EDUCATION - STUDENT LOAN AUTHORITY

1 This act would specifically empower the Rhode Island Student Loan Authority to
2 refinance and consolidate existing eligible loans. It would also authorize the Authority to
3 purchase and invest in its own bonds and notes.

4 This act would take effect upon passage.

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