

HB 621 -- MISSOURI HIGHER EDUCATION LOAN AUTHORITY

SPONSOR: Kendrick

This bill grants authority to the Missouri Higher Education Loan Authority (MOHELA) to issue loans to refinance certain public or private student loans, education grants, and certain bonds, notes or other obligations. This bill establishes the Office of the Student Loan Ombudsman within the Department of Higher Education.

Missouri Higher Education Loan Authority

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).

LOAN REFINANCING

Beginning January 1, 2018, 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 the 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.

This bill describes an eligible student loan as any loan that is in repayment that was either made by MOHELA or made to a borrower by any other private or governmental lender to finance attendance at any accredited institution of higher education in any state.

Eligible borrowers may be required to successfully complete a student loan refinance counseling program prior to entering into a refinance agreement. MOHELA may allow eligible borrowers the option of enrolling in an income-based repayment model or auto enroll borrowers into an income based plan. Eligible borrowers may opt out of an income based plan after their initial enrollment. A refinance loan is issued with a minimum 25 year repayment plan, with a 30 year option available (Section 173.441).

BONDS

This bill 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. After January 1, 2018 MOHELA reports filed with the Department of Higher Education must include information about the loans refinanced under these provisions (Sections 173.443 and 173.445).

#### OFFICE OF THE STUDENT LOAN OMBUDSMAN

This bill establishes the Office of the Student Loan Ombudsman within the Department of Higher Education. The Ombudsman will provide timely assistance to any student loan borrower of any student education loan in Missouri, including student loans refinanced by MOHELA. The bill requires all state agencies to assist and cooperate with the Office of the Ombudsman in the performance of its duties under this section.

The bill requires the Office of the Ombudsman, in consultation with the Coordinating Board for Higher Education, to:

- (1) Receive, review, and attempt to resolve any complaints from student loan borrowers, including attempts to resolve such complaints in collaboration with institutions of higher education, student loan servicers, and any other participants in student loan lending;
- (2) Compile and analyze data on student loan borrower complaints;
- (3) Assist student loan borrowers to understand their rights and

responsibilities under the terms of student education loans;

(4) Provide information to the public, state agencies, members of the General Assembly, and other persons regarding the problems and concerns of student loan borrowers and make recommendations for resolving those problems and concerns;

(5) Analyze and monitor the development and implementation of federal and state laws and policies relating to student loan borrowers and recommend any changes the office of the Ombudsman deems necessary;

(6) Review the complete student education loan history of any student loan borrower who has provided written consent for such review;

(7) Disseminate information concerning the availability of the office of the Ombudsman to assist student loan borrowers and potential student loan borrowers, as well as public institutions of higher education, student loan servicers, and any other participant in student education loan lending, with any student loan servicing concerns; and

(8) Take any other actions necessary to fulfill the duties of the Ombudsman office.

This bill requires the Office of the Student Loan Ombudsman to establish and maintain a student loan borrower education course by October 1, 2017. The course shall include educational presentations and materials regarding student loans. Topics covered by the program will include key loan terms, documentation requirements, monthly payment obligations, income-based repayment options, loan forgiveness, and disclosure requirements (Sections 173.2401 and 173.2402).