

ACT 89

H.B. NO. 2861

A Bill for an Act Relating to Student Loan Funds.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Section 309-1.5, Hawaii Revised Statutes, is amended to read as follows:

“**[§309-1.5 Authorization corporation to acquire educational loan notes.]** In order to permit a corporation to issue obligations as contemplated by section 103(e) of the federal Internal Revenue Code of 1954, as amended, in an amount not to exceed \$20,000,000, the] The governor is [hereby] authorized to request the organization of a private not-for-profit corporation to be affiliated with United Student Aid Funds, Inc., which corporation shall be established and operated exclusively for the purpose of acquiring [educational] student loan notes [incurred] held by local financial institutions under the federal Higher Education Act of 1965[; provided any such corporation:], as amended. The governor is authorized to request that United Student Aid Funds organize a single private not-for-profit corporation known as the Secondary Market Services Corp.—Hawaii for the exclusive purpose of this section. The corporation:

- (1) Shall be a not-for-profit corporation organized under the laws of the State and authorized to do business within the State and shall be the [sole] only not-for-profit corporation organized within the State requested to [exercise the acquisition of] conduct a program of acquiring student loan notes;
- (2) Shall be required by its articles of incorporation and bylaws to devote any income (after payment of expenses, debt service, and the creation of reserves for the same) to the purchase of additional student loan notes or to pay over any income to the [State;] United States; and
- (3) [Shall provide in its articles of incorporation and bylaws that it will issue debt only:
 - (A) Upon the approval of the legislature;
 - (B) Upon the approval of the governor and director of finance not more than sixty days prior to the sale of that debt; and
 - (C) If the proceedings authorizing or providing for such debt and the face of each obligation evidencing all or a part of such obligations provide that such obligations shall not constitute nor be deemed to constitute a general, limited, or moral obligation of the State of Hawaii, or any department, agency, or political subdivision thereof under any constitutional, statutory,

or other construction; and the full faith and credit of neither the State of Hawaii nor any department, agency, or political subdivision thereof are pledged or shall be available for the payment of either the principal of or interest on such obligation. Such obligations shall provide that they are payable solely from the revenues and assets of the corporation pledged thereto.]

Is authorized to issue obligations pursuant to section 103 of the Internal Revenue Code of 1986, as amended. Those obligations shall be payable solely from the revenues and assets of the corporation pledged thereto and shall not constitute a general, limited, or moral obligation of the State, or any department, agency, or political subdivision thereof under any constitutional, statutory, or other provision. Neither the full faith and credit of the State nor that of any department, agency, or political subdivision thereof shall be pledged to the payment of the principal of, or interest on, those obligations and those obligations shall so state on their face."

SECTION 2. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 3. This Act shall take effect upon its approval.

(Approved May 27, 1992.)