

164A.010 Findings -- Determinations -- Intent.

The General Assembly of the Commonwealth of Kentucky hereby makes the following findings and determinations and promulgates the following statements of legislative intent:

- (1) That the attainment by every citizen of his or her educational goals will inure to the general welfare, well-being, and productivity of the Commonwealth. Accordingly, it is hereby determined and declared that providing higher education assistance to needy, qualified students is in the best interest of the Commonwealth and constitutes the implementation of a public purpose of statewide import of the Commonwealth.
- (2) Pursuant to KRS 164.740 to 164.764, the Kentucky Higher Education Assistance Authority has heretofore been created and has rendered valuable and material services to the Commonwealth and its citizens in the effectuation of the public policy stated in the foregoing subsection. Pursuant to said cited statutory authority, the Kentucky Higher Education Assistance Authority is legally authorized to make and to guarantee student loans, and is eligible to reinsure student loans with the United States of America pursuant to the Higher Education Act of 1965, as amended. The United States Secretary of Education has been authorized to enter into insurance or reinsurance agreements with the Kentucky Higher Education Assistance Authority, and other lending institutions in the Commonwealth pursuant to which insured student loans have been made possible for the benefit, welfare, and well-being and for the future benefit of citizens, residents and inhabitants of the Commonwealth.
- (3) The 1976 amendments (P.L. 94-482) to the Higher Education Act of 1965 (P.L. 89-329), provided incentives for states to establish and implement programs of student loan insurance by providing federal reinsurance of any losses due to the death, disability, bankruptcy or default of the borrower. The education amendments of 1976 (P.L. 94-482) offered further incentives to states to establish insured student loan programs including the payment of certain administrative expenses to a state agency, the payment of interest on student loans directly by the federal government while qualified students are pursuing a course of education at an eligible institution, the payment of special allowances to holders of state insured student loans and the reimbursement of costs of collection to state student loan insurance agencies in the event of defaults. The Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66) further amended the Higher Education Act of 1965 by reducing the rate of insurance payable to holders of insured student loans first disbursed on or after October 1, 1993, to ninety-eight percent (98%) of losses resulting from the default of the borrower, and reduced the federal reimbursements to the guarantee agency to a maximum of ninety-eight percent (98%) of the principal and interest amount on defaulted insured student loans, with further reductions to eighty-eight percent (88%) and seventy-eight percent (78%) when the amount of reinsurance claims paid in any one (1) year exceeds five percent (5%) and nine percent (9%), respectively, of insured student loan amounts in repayment as of the end of the preceding federal fiscal year.

- (4) The General Assembly hereby determines and declares that in order to continue the Insured Student Loan Program in Kentucky, to enable eligible lenders including banks and trust companies and the Kentucky Higher Education Assistance Authority to be able to continue to make student loans available to qualified students and to ensure that the Commonwealth of Kentucky shall not lose the benefits of the Insured Student Loan Program, it is necessary that there be created a body corporate and politic to act as a financing agency, and to assure that a secondary market for insured student loans be created and maintained. The actions and duties of such body corporate and politic to be carried out in such manner so as to assure that any student loans acquired by such entity have the benefit of state insurance with federal reinsurance to the end that the assets of the Commonwealth be not committed to such purposes.

Effective: July 15, 1996

History: Amended 1996 Ky. Acts ch. 350, sec. 5, effective July 15, 1996. -- Created 1978 Ky. Acts ch. 387, sec. 1, effective June 17, 1978.