

1 AN ACT relating to student loans.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 164 IS CREATED TO
4 READ AS FOLLOWS:

5 (1) *As used in this section:*

6 (a) *"License" means any occupational or professional certification, license, or*
7 *registration issued by a licensing agency that is required to engage in an*
8 *occupation, profession, or trade;*

9 (b) *"Licensing agency" means an agency, board, or commission created by the*
10 *state, including the Kentucky Supreme Court, that has the power to issue,*
11 *renew, revoke, or suspend any license; and*

12 (c) *"Loan" means the same as defined in KRS 164.740.*

13 (2) *No licensing agency shall consider the nonpayment or default of any repayment*
14 *obligation under any financial assistance program in KRS Chapter 164 and*
15 *164A, or any other federal, state, or private loan, when deciding to issue, renew,*
16 *revoke, or suspend any license.*

17 (3) *Nothing in subsection (2) of this section shall be interpreted to forbid a licensing*
18 *agency from considering acts of fraud, or any other crime, while deciding to*
19 *issue, renew, revoke, or suspend a license.*

20 ➔Section 2. KRS 164A.240 is amended to read as follows:

21 (1) (a) As used in this section, the term "eligible borrower" means a student, a former
22 student, or the parent of a dependent student or former student, who
23 demonstrates an intention and capacity to repay an educational loan and meets
24 the loan criteria established by the promulgation of administrative regulations
25 by the corporation.

26 (b) Notwithstanding KRS 164A.020, with respect to any educational loan made or
27 financed under this section, and any bonds or notes of the corporation to

1 finance educational loans under this section, as used in KRS 164A.010 to
2 164A.240, the term:

- 3 1. "Disposable pay" means the amount remaining of a borrower's
4 employment earnings after the deduction of all amounts withheld as
5 required by law;
- 6 2. "Eligible institution" shall be deemed to include any educational
7 institution approved by the corporation;
- 8 3. "Eligible lender" shall be deemed to include any financial institution
9 approved by the corporation; and
- 10 4. "Insured student loan" or "student loan" shall be deemed to include any
11 educational loan.

12 (2) (a) In addition to the authority granted by KRS 164A.010 to 164A.240, the
13 corporation is authorized to:

- 14 1. Establish, finance, and operate educational loan programs deemed
15 necessary by the Kentucky Higher Education Assistance Authority to
16 make or cause to be made educational loans to meet the financial needs
17 of eligible borrowers;
- 18 2. Exercise any of its powers with respect to educational loans pursuant to
19 KRS 164A.010 to KRS 164A.240; and
- 20 3. Establish an administrative garnishment process for the collection of
21 defaulted educational loans and promulgate regulations pursuant to KRS
22 Chapter 13A pertaining to the process. The process shall begin no
23 sooner than one hundred eighty (180) days after the borrower fails to
24 make payments on the debt that has been due and owing. The process
25 shall limit garnishment to no more than ten percent (10%) of the
26 disposable pay of the defaulted borrower and ensure that the borrower's
27 due process rights are protected.

- 1 (b) The corporation may, in connection with the program, enter into agreements
2 with loan servicing organizations, guarantors, insurers, financial institutions,
3 eligible lenders, and eligible institutions. The educational loan programs may
4 provide for either the making of educational loans to eligible institutions and
5 the relending to eligible borrowers or the making and purchasing of
6 educational loans by the corporation.
- 7 (3) The corporation may promulgate administrative regulations to implement the
8 provisions of KRS 164A.010 to 164A.240.
- 9 (4) The corporation may finance the educational loan programs through the issuance of
10 its bonds or notes subject to the provisions set forth in KRS 164A.010 to 164A.240,
11 except that KRS 164A.080(3) shall not apply to any loans and KRS 164A.160 shall
12 not apply to any bonds or notes issued to fund loans authorized in this section. The
13 proceeds of the bonds or notes used for the educational loan programs may be
14 commingled with the proceeds of bonds or notes financing insured student loans as
15 defined by KRS 164A.020. The bonds or notes issued under the provisions of this
16 subsection shall be special and limited obligations, payable solely and only from the
17 receipts pledged and shall not constitute an indebtedness or liability of the
18 Commonwealth or a pledge of the faith and credit of the Commonwealth.
- 19 (5) The corporation may establish reserve funds or replacement funds in connection
20 with the issuance of bonds and notes for educational loan purposes as determined to
21 be necessary by the board to enable the corporation to accomplish its proper public
22 purposes.
- 23 (6) (a) The maximum annual loan amount shall not exceed:
- 24 1. The costs incurred by the eligible borrower related to attendance less
25 other financial aid, as certified by the eligible institution;
- 26 2. The repayment amount of loans to fund the borrower's cost; or
- 27 3. A lesser amount established by the board.

- 1 (b) The loan proceeds shall be used by the eligible borrower solely for these
2 purposes.
- 3 (7) The corporation may issue taxable bonds or notes for the financing of any program
4 authorized by this chapter.
- 5 (8) The Kentucky Higher Education Assistance Authority shall provide the services as
6 the corporation may require to efficiently carry out the purposes of this section.
- 7 (9) A person under the age of eighteen (18) years shall be deemed to have full capacity
8 to act and shall have all rights, powers, privileges, and obligations of a person of
9 full age for the purpose of applying for, receiving, and repaying educational loans
10 authorized pursuant to this section. Notwithstanding any other statute to the
11 contrary, a repayment obligation imposed by this section shall not be voidable by
12 reason of the age of the recipient at the time of receiving the educational loan.
- 13 (10) The corporation shall establish the interest rates and other terms and conditions for
14 educational loans in a manner that it determines is financially sound. No provision
15 of any other law of the Commonwealth of Kentucky that limits the rate or amount
16 of interest payable on a loan shall apply to an educational loan authorized by this
17 section.
- 18 (11) A loan made pursuant to this section shall be governed by Kentucky law.
- 19 (12) **Section 1 of this Act**~~[KRS 164.772]~~, KRS 164.774, and KRS 131.565 are
20 applicable to loans made pursuant to this section.
- 21 ➔Section 3. KRS 164.769 is amended to read as follows:
- 22 (1) It is the intent of the General Assembly to establish a teacher scholarship program to
23 assist highly qualified individuals to become certified Kentucky teachers and render
24 teaching service in Kentucky schools.
- 25 (2) For purposes of this section, the terms listed below shall have the following
26 meanings:
- 27 (a) "Critical shortage area" means an understaffing of teachers in particular

- 1 subject matters at the secondary level, in grade levels, or in geographic
2 locations at the elementary and secondary level, as determined by the
3 commissioner of education in consultation with the authority. The
4 commissioner and the authority may use any source considered reliable,
5 including but not limited to local education agencies, to identify the critical
6 shortage areas;
- 7 (b) "Dual credit" has the same meaning as in KRS 158.007;
- 8 (c) "Eligible program of study" means an undergraduate or graduate program of
9 study which is preparatory to teacher certification;
- 10 (d) "Expected family contribution" means the amount that a student and his
11 family are expected to contribute toward the cost of the student's education
12 determined by applying methodology set forth in 20 U.S.C. sec. 1087 kk to
13 1087 vv;
- 14 (e) "Participating institution" means an institution of higher education located in
15 Kentucky which offers an eligible program of study and has in force an
16 agreement with the authority providing for administration of this program;
- 17 (f) "Qualified teaching service" means teaching the major portion of each school
18 day for at least seventy (70) days each semester in a public school of the
19 Commonwealth or a private school certified pursuant to KRS 156.160(3),
20 except that an individual having a disability defined by Title II of the
21 Americans with Disabilities Act (42 U.S.C. secs. 12131 et seq.) or serious and
22 extended illness, whose disability or illness, certified by a licensed physician,
23 prevents that individual from teaching a major portion of each school day,
24 shall be deemed to perform qualified teaching service by teaching the
25 maximum time permitted by the attending physician;
- 26 (g) "Semester" means a period of about eighteen (18) weeks, which usually makes
27 up one-half (1/2) of a school year or one-half (1/2) of a participating

1 institution's academic year; and

2 (h) "Summer term" means an academic period consisting of one (1) or more
3 sessions of instruction between a spring and a fall semester.

4 (3) The authority may, to the extent of appropriations and other funds available to it
5 pursuant to subsection (9) of this section, award teacher scholarships to persons
6 eligible under subsection (4) of this section, who initially demonstrate financial
7 need in accordance with standards and criteria established by the authority or
8 received teacher scholarships pursuant to this section prior to July 1, 1996. Each
9 teacher scholarship shall be evidenced by a promissory note that requires repayment
10 or cancellation pursuant to subsection (6) of this section.

11 (4) Kentucky residents who are United States citizens and enrolled or accepted for
12 enrollment in an eligible program of study at a participating institution shall be
13 eligible to apply for and be awarded teacher scholarships. Teacher scholarships shall
14 first be awarded to highly qualified eligible students who meet standards and
15 requirements established by the Education Professional Standards Board pursuant to
16 KRS 161.028 for admission to a teacher education program at a participating
17 institution in pursuit of initial teacher certification. If funds are not depleted after
18 awarding teacher scholarships to students who meet the preceding criteria, then
19 awards shall be made to any otherwise eligible students.

20 (5) The authority shall establish, by administrative regulation, the maximum amount of
21 scholarship to be awarded for each semester and summer term under this section,
22 and shall prorate the amount awarded to any student enrolled less than full-time ~~in~~
23 ~~accordance with subsection (6)(a) of this section~~. The aggregate amount of
24 scholarships awarded to an individual shall not exceed twelve thousand five
25 hundred dollars (\$12,500) for undergraduate students and seven thousand five
26 hundred dollars (\$7,500) for postbaccalaureate students, except that the aggregate
27 amount of scholarships awarded to an individual who received teacher scholarships

1 pursuant to this section prior to July 1, 1996, including any amount received
2 pursuant to KRS 156.611, 156.613, 164.768, or 164.770, shall not exceed twenty
3 thousand dollars (\$20,000). The amount of each scholarship to be awarded shall not
4 exceed the applicant's total cost of education minus other financial assistance
5 received or expected to be received by the applicant during the academic period.

6 (6) (a) The authority shall disburse teacher scholarships to eligible students who
7 agree to render qualified teaching service as certified teachers, and are
8 unconditionally admitted and enrolled in an eligible program of study.

9 (b) A teacher scholarship shall not be awarded or a promissory note cancellation
10 shall not be granted to any person who is in default on any obligation to the
11 authority under any program administered by the authority pursuant to KRS
12 164.740 to 164.785 until financial obligations to the authority are satisfied,
13 except that ineligibility for this reason may be waived by the authority for
14 cause.

15 (c) Recipients shall render one (1) semester of qualified teaching service for each
16 semester or summer term of scholarship received, except that recipients who
17 teach in a critical shortage area designated by the authority or teach dual credit
18 coursework in a certified Kentucky high school shall render one (1) semester
19 of qualified teaching service as repayment for two (2) semesters or summer
20 terms of scholarships received. Upon completion of each semester of qualified
21 teacher service, the authority shall cancel the appropriate number of
22 promissory notes.

23 (d) If the recipient of a teacher scholarship fails to complete an eligible program
24 of study at a participating institution or fails to render qualified teaching
25 service in any semester following certification or recertification, unless the
26 failure is temporarily waived for cause by the authority, the recipient shall
27 immediately become liable to the authority for repayment of the sum of all

1 outstanding promissory notes and accrued interest. Persons liable for
2 repayment of scholarships under this paragraph shall be liable for interest
3 accruing from the dates on which the teacher scholarships were disbursed.

4 (e) Recipients who have outstanding loans or scholarships under KRS 156.611,
5 156.613, 164.768, or 164.770 respectively, and who render qualified teaching
6 service, shall have their notes canceled in accordance with subsection (6)(c) of
7 this section.

8 (f) The authority shall establish, by administrative regulation, the terms and
9 conditions for the award, cancellation, and repayment of teacher scholarships
10 including, but not limited to, the selection criteria, eligibility for renewal
11 awards, amount of scholarship payments, deferments, the rate of repayment,
12 and the interest rate thereon.

13 (g) Notwithstanding any other statute to the contrary, the maximum interest rate
14 applicable to repayment of a promissory note under this section shall be
15 twelve percent (12%) per annum, except that if a judgment is rendered to
16 recover payment, the judgment shall bear interest at the rate of five percent
17 (5%) greater than the rate actually charged on the promissory note.

18 (7) A repayment obligation imposed by this section shall not be voidable by reason of
19 the age of the recipient at the time of receiving the teacher scholarship.

20 ~~(8) Failure to meet repayment obligations imposed by this section shall be cause for the~~
21 ~~revocation of a person's teaching certificate, subject to the procedures set forth in~~
22 ~~KRS 161.120.~~

23 ~~(9)~~ All moneys repaid to the authority under this section shall be added to the
24 appropriations made for purposes of this section, and the funds and unobligated
25 appropriations shall not lapse.

26 ~~(9)~~⁽⁹⁾ The authority may execute appropriate contracts and promissory notes for
27 administering this section.

1 ~~10(11)~~ Notwithstanding any other statute to the contrary, if available funds are
2 insufficient for all requested scholarships for eligible applicants during any fiscal
3 year, the authority shall give priority consideration to eligible applicants who
4 previously received teacher scholarships and, until June 30, 2018, to loan
5 forgiveness for teachers who have outstanding loan balance eligibility for Best in
6 Class loans issued prior to June 30, 2008. If funds are insufficient to make all
7 requested renewal scholarships to eligible applicants, the authority shall reduce all
8 scholarship awards to the extent necessary to provide scholarships to all qualified
9 renewal applicants. If, after awarding all eligible renewal applicants, funds are not
10 depleted, initial applications shall be ranked according to regulatory selection
11 criteria, which may include expected family contribution and application date, and
12 awards shall be made to highly qualified applicants until funds are depleted.

13 ➔Section 4. The following KRS section is repealed:

14 164.772 Default in repayment obligation under financial assistance program --
15 Professional licensing and certification -- Notification.