

1995 SESSION

INTRODUCED

LD6290412

HOUSE JOINT RESOLUTION NO. 486

Offered January 19, 1995

Requesting the Secretaries of Education and Finance to study loan policies and default rates of the Virginia Education Loan Authority.

Patrons—Purkey, Baker, Hamilton, Howell, McDonnell, Rhodes, Tata and Wagner; Senators: Calhoun and Stolle

Referred to Committee on Rules

WHEREAS, to "facilitate the college and vocational education of residents of this Commonwealth and to promote the industrial and economic development of the Commonwealth," the 1972 Session of the General Assembly created the Virginia Education Loan Authority (the "Authority" or "VELA") to make direct loans to or acquire the loans of students at public and private institutions of higher education and vocational schools; and

WHEREAS, although consolidated in 1992 with the State Education Assistance Authority within the Virginia Student Assistance Authorities, the Authority remained a separate political subdivision and retained its lender functions and accounts; and

WHEREAS, pursuant to § 23-38.43 of the Code of Virginia, the Authority is empowered to prescribe the terms and conditions upon which it will make or acquire an interest in student loans, including the interest rates, maturities, principal and interest payments, and other matters relating to these loans, and to issue bonds and other indebtedness to finance its student loan purchases and related activities; and

WHEREAS, ensuring equitable access to postsecondary training and education through loans for both traditional and vocational students promotes the Commonwealth's overall economic prosperity by developing an educated citizenry and skilled workforce; and

WHEREAS, VELA's revenues, based on its student loan program, consist primarily of interest payments, investment earnings, and moneys earned from servicing loans on behalf of other lenders, and its expenses include interest paid on bonds, notes, and other obligations, and operating expenses incurred in making, acquiring, and servicing student loans; and

WHEREAS, as of June 30, 1994, VELA's outstanding student loans totaled \$305 million and its outstanding bonds totaled \$470.8 million; and

WHEREAS, delinquencies in VELA student loan payments may result in numerous problems, including noncompliance with certain prescribed due diligence procedures and loss of various guarantees and interest subsidies; and

WHEREAS, an examination of current VELA loan policies and default rates may help facilitate the implementation of the most prudent and effective loan policies; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Secretaries of Education and Finance be requested to study default rates for loans held and serviced by the Virginia Education Loan Authority. The Secretaries shall consider, among other things, current VELA loan policies and default rates, including default rates for loans for students enrolled in proprietary, public, and private nonprofit schools; default rates and loan policies of other states' education loan authorities; relevant federal statutory and regulatory concerns; and such other related issues they deem appropriate.

The Departments of Education and Planning and Budget shall provide staff support for the study. All agencies of the Commonwealth shall provide assistance to the Secretaries, upon request.

The Secretaries shall complete their work in time to submit their findings and recommendations to the Governor and the 1996 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for processing legislative documents.

INTRODUCED

HJ486