

House Bill 842

By: Representative Powell of the 29th

A BILL TO BE ENTITLED
AN ACT

1 To amend Part 3 of Article 7 of Chapter 3 of Title 20 of the Official Code of Georgia
2 Annotated, relating to the Georgia Student Finance Authority, so as to provide for direct
3 loans to students for attendance at certain postsecondary institutions at the rate of 1 percent
4 annually; to provide for definitions; to provide for the maximum amount of such loans; to
5 provide for eligibility requirements; to provide for the random selection of recipients of such
6 loans from eligible applicants; to provide for a fund for such loans that is separate from the
7 general loan fund; to repeal conflicting laws; and for other purposes.

8 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

9 **SECTION 1.**

10 Part 3 of Article 7 of Chapter 3 of Title 20 of the Official Code of Georgia Annotated,
11 relating to the Georgia Student Finance Authority, is amended in Subpart 3, relating to
12 educational loans financed by state funds, by striking subsection (a) of Code Section 20-3-
13 373, relating to the general loan fund for education loans financed by state funds, and
14 inserting in lieu thereof the following:

15 "(a) The authority shall maintain a general loan fund to which shall be credited:

- 16 (1) State funds appropriated for use by the authority for educational loan purposes under
17 this subpart other than service cancelable loans;
- 18 (2) Unrestricted moneys received by gift or otherwise and other moneys available for and
19 determined by the authority to be used for the purposes of this Code section;
- 20 (3) Outstanding educational loans held by the authority under this subpart as to which
21 the borrower does not have a right to repay and cancel the loan through services rendered;
- 22 (4) Principal collected on all educational loans held by the authority under this subpart,
23 including the principal portion of payments received from the corporation in discharge
24 of its guaranty liability on such loans; and
- 25 (5) Such amounts as may be transferred to the fund from the service cancelable loan fund
26 or the administration fund of the authority.

1 The authority is authorized to use moneys available in the fund to make guaranteed
 2 educational loans to eligible students and parents in accordance with its rules and
 3 regulations and Part 2 of this article. The authority is further authorized, under such limited
 4 circumstances as it may prescribe, to use moneys available in the fund to purchase
 5 guaranteed educational loans made by other lenders under Part 2 of this article and to sell
 6 guaranteed educational loans made or owned by the authority to eligible lenders."

7 **SECTION 2.**

8 Said part is further amended by inserting a new subpart to be designated Subpart 4A, to read
 9 as follows:

10 "Subpart 4A

11 20-3-400.

12 As used in this subpart, the term:

13 (1) 'Cost of attendance' of a student means the cost of attendance calculated in
 14 accordance with Title IV.

15 (2) 'Eligible high school' has the same meaning as set out in Code Section 20-3-519.

16 (3) 'Eligible postsecondary institution' means:

17 (A) A unit of the University System of Georgia that offers associate or baccalaureate
 18 degrees; or

19 (B) An institution of higher education located in this state that offers associate or
 20 baccalaureate degrees; that is accredited by a regional accrediting agency recognized
 21 by the United States Department of Education; that is not a Bible school or college; that
 22 admits as regular students only persons who have a high school diploma, a general
 23 educational development (GED) diploma, or a degree from an accredited postsecondary
 24 institution; and whose students are eligible to participate in the federal Pell Grant
 25 program.

26 (4) 'Expected family contribution' means expected family contribution calculated in
 27 accordance with Title IV.

28 (5) 'Title IV' means Title IV of the Higher Education Act of 1965, as amended, 20
 29 U.S.C.A. Section 1070, et seq.

30 20-3-401.

31 (a) The authority is authorized to provide direct loans to students in accordance with the
 32 provisions of this subpart and regulations of the authority promulgated to implement this
 33 subpart.

1 (b) The interest rate for loans provided in accordance with this subpart shall be 1 percent
2 annually.

3 (c) The maximum amount of a loan under this subpart shall be the lesser of: \$10,000.00
4 per year; or the cost of attendance of a student minus the expected family assistance, minus
5 the estimated amount of the student's other loans, grants, and scholarships, including loans,
6 grants, and scholarships provided under Title IV. Each applicant for a loan shall be
7 required to apply for other educational assistance, including scholarships, grants, and other
8 loans, and to provide information regarding such other applications and the result of such
9 applications as a condition of applying for a loan under this subpart. Loans under this
10 subpart are designed as funding of the last resort for students who have diligently sought
11 scholarships, grants, and other loans.

12 (d) Eligibility for a loan under this subpart shall be determined annually. A student who
13 has graduated from an eligible high school shall be eligible for a loan for the first year of
14 attendance at an eligible postsecondary institution if the student graduated from an eligible
15 high school before May 1, 2007, with a cumulative grade average of at least a 75 numeric
16 average in his or her core curriculum subjects or if a student graduated from an eligible
17 high school on or after May 1, 2007, with a cumulative grade point average in the student's
18 core curriculum subjects of at least 2.5 on a 4.0 scale. A student's cumulative grade
19 average or grade point average shall be calculated by the methods set out in Code Section
20 20-2-157. A student who has earned a cumulative grade point average of at least 2.0 at an
21 eligible postsecondary institution shall be eligible for a loan for a second or a subsequent
22 year of attendance at an eligible postsecondary institution.

23 20-3-402.

24 (a) The authority shall maintain a fund for loans in accordance with this subpart to which
25 shall be credited:

- 26 (1) State funds appropriated for use for loans under this subpart;
- 27 (2) Moneys received by gift or otherwise for loans under this subpart;
- 28 (3) Outstanding educational loans held by the authority under this subpart; and
- 29 (4) Principal collected on educational loans held by the authority under this subpart.

30 (b) For each fiscal year, the authority shall determine the amount of moneys available for
31 loans under this subpart and shall determine the applicants who are eligible to receive such
32 loans. The authority shall determine which eligible applicants receive loans by a random
33 selection process in which each eligible applicant has an equal chance of being selected for
34 a loan."

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SECTION 3.

2 All laws and parts of laws in conflict with this Act are repealed.