

2013 DRAFTING REQUEST

Bill

Received: 10/2/2013 Received By: fknepp
Wanted: As time permits Same as LRB: -3441
For: Dave Hansen (608) 266-5670 By/Representing: Jon Mielke
May Contact: Drafter: fknepp
Subject: Econ. Development - misc. Addl. Drafters: fknepp
Fin. Inst. - int. rates/loans gmalaise
Fin. Inst. - miscellaneous mshovers
Higher Education - financial aid
Higher Education - miscellaneous
Tax, Individual - dedct/sbtret Extra Copies: MDK
MPG
ARG

Submit via email: YES
Requester's email: Sen.Hansen@legis.wisconsin.gov
Carbon copy (CC) to:

Pre Topic:

No specific pre topic given

Topic:

Student loans

Instructions:

13-3258 with modifications. Replace HEAB student refinancing loan program with Refinancing authority. See attached.

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	fknepp 10/2/2013	scalvin 10/2/2013	jfrantze 10/3/2013	_____			
/P1	fknepp			_____	lparisi		State

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
	10/11/2013			_____	10/3/2013		Tax
/P2	fknepp 10/15/2013	kfollett 10/15/2013	jfrantze 10/15/2013	_____	mbarman 10/15/2013		State Tax
/1		kfollett 10/16/2013		_____	srose 10/16/2013	sbasford 10/16/2013	State Tax

FE Sent For:

*at
intro*

<END>

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➤ Paper

⊕ email
all attys

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11/gf 11/gf
10/16 10/16
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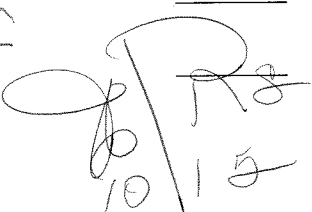
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/P1		1P2kf 10/15			lparisi		State

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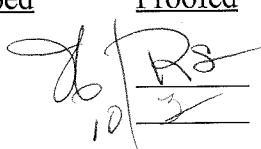
Student loans

Instructions:

13-3258 with modifications. Replace HEAB student refinancing loan program with Refinancing authority ~~and federalize tax treatment~~. See attached.

DK

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1?	fknepp	PI sac 10/02/2013					

FE Sent For:

<END>

/PI 2880

New LRB

"Wis Student Loan Ref. Authority" ^{Hansen}

239.02 - members No DPI

keep (e), (f) + (i)

✓ 4 members of Leg

✓ (1 of each, each house w/ democracy)

✓ 2 members experience loan financing

✓ w/o conflict of interest

(check pension board draft for lang)

Stephanie
sum
Person
board

✓ sub. (2) - graduation not end term
can finish out

Board - selects chairman > OK
hire CEO

Remove section 6 &

federalize tax issues

Knepp, Fern

From: Mielke, Jon
Sent: Wednesday, October 02, 2013 12:52 PM
To: Knepp, Fern
Subject: RE: Quick question...

Hi Fern,

We had another meeting with some concerned parties, you don't need to change the tax portion of the bill, you can leave it the way it is.

Thanks,

Jon

From: Knepp, Fern
Sent: Wednesday, October 02, 2013 9:51 AM
To: Mielke, Jon
Subject: RE: Quick question...

Thanks.

From: Mielke, Jon
Sent: Wednesday, October 02, 2013 9:51 AM
To: Knepp, Fern
Subject: RE: Quick question...

Yes, that will be fine.

From: Knepp, Fern
Sent: Wednesday, October 02, 2013 9:50 AM
To: Mielke, Jon
Subject: Quick question...

Who do you want to appoint the non-legislator members of the authority? Under LRB-2880/P1 it is the governor with the advice and consent of the senate. Is that OK?

Fern F. Knepp
Legislative Attorney
Wisconsin Legislative Reference Bureau
P.O. Box 2037
Madison, WI 53701-2037
(608) 261-6927
fern.knepp@legis.wisconsin.gov



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-0258/1-3311/P1
ALL:sac&kjfff
stays

In 10-2-13

Out 10-3-13 (by noon, if possible)

2013 BILL

creating an authority to be known as the Wisconsin Student Loans Refinancing Authority

note

LPS: check for hidden notes and delete any found. make marked change to instructions on request sheet.

gen cat

1 AN ACT to amend 71.05 (6) (b) 28. (intro.); and to create 39.28 (7), 39.52, 39.54,
2 39.56, 39.58, 71.05 (6) (b) 28. j. and 224.30 (5) of the statutes; relating to:
3 student loans, the individual income tax subtract modification for tuition and
4 student fees, and granting rule-making authority.

Analysis Insert

Analysis by the Legislative Reference Bureau

Financial aid information

This bill requires the Department of Financial Institutions (DFI) to compile data related to private student loans for the purpose of comparing private lending institutions' student loan interest rates and repayment plans. A "private student loan" is a loan issued by a private lending institution for the purpose of paying for or financing higher education expenses, including tuition and fees, books and supplies, and room and board. DFI must create and maintain a list of private lending institutions that provide the lowest rates and best repayment options on student loans. DFI must also compile a list of the top 10 best private lending institutions based on rates and policies that are most favorable to the student borrower. DFI must place these lists on DFI's Internet site and update the Internet site monthly to ensure that the student loan information in these lists is current and accurate. DFI's Internet site must also contain information pertaining to lending institutions that do not make the top 10 list, including identifying those lending institutions that provide the worst rates and strictest repayment options. DFI may satisfy its duties under the bill through a designee or third-party contractor.

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The bill also requires an institution or college campus within the University of Wisconsin (UW) System, a technical college within the technical college system, a tribally controlled college, or a private, nonprofit institution of higher education located in this state (institution of higher education) to provide to a prospective or newly accepted student and to the student's parents clearly outlined and easy-to-understand information pertaining to all of the following:

1. The total cost of attendance at the institution of higher education.
2. The approximate or, if known, the actual total amount of financial aid that the student would receive from the institution of higher education, and the approximate or, if known, the actual total amount of student loan debt that the student would accumulate, over the course of four years if the student were to attend the institution of higher education for four years (student loan debt).
3. Student loan rates, repayment plans, default rates, and the actual monthly payment that would be required to pay that student loan debt when the loan becomes due.

Finally, the bill requires an institution of higher education and the Higher Educational Aids Board (HEAB) to create on their Internet sites a link to that portion of DFI's Internet site containing the lists and other information required under the bill.

Student loan counseling

This bill requires any institution of higher education in this state that offers an associate's or higher degree to provide loan counseling for its students. Under the bill, before a student enters into a student loan agreement, the institution must provide the student with comprehensive information on the terms and conditions of a loan and the responsibilities the student has with respect to the loan. A lender may not accept an application for a private student loan, or assess any fees for the loan, unless the lender has received certification from the applicant's institution of higher education that the applicant has received such counseling.

The bill also requires an institution of higher education to provide a student with information when the student leaves the institution, whether through graduation, transfer, or otherwise. The information must include available loan repayment plans, debt management strategies, options for prepayment of loans, and the consequences of defaulting on a loan.

Finally, the bill authorizes an institution of higher education to assess a lender a reasonable fee of up to \$50 to defray the cost of the student counseling required under the bill.

Income tax subtraction

Under current law, there is an individual income tax subtraction for amounts paid by a claimant for tuition expenses and mandatory student fees for a student who is the claimant or the claimant's dependent under the Internal Revenue Code, to attend an institution of higher education that is approved by the Educational Approval Board and that is located in Wisconsin, or to attend certain postsecondary schools in Minnesota to which the Minnesota-Wisconsin reciprocity agreement applies. The tuition expenses and fees for which a subtraction may be claimed are

BILL

calculated based on the amount of tuition charged by the UW System at four-year institutions.

Also under current law, the subtraction that a claimant may claim for such tuition expenses and mandatory student fees is reduced as the claimant's annual federal adjusted gross income (FAGI) increases until, at a certain point, no subtraction may be claimed. Currently, the allowable subtraction phases out, for a single person or a married person filing as a head of household, as the claimant's FAGI increases from \$50,000 to \$60,000. Once such a claimant's FAGI exceeds \$60,000, he or she may not claim the subtraction. For a married person filing a joint return, the phaseout occurs as the married couple's joint FAGI increases from \$80,000 to \$100,000, and no subtraction is allowed once the married couple's joint FAGI exceeds \$100,000. The phaseout for a married person filing a separate return occurs as the claimant's FAGI increases from \$40,000 to \$50,000, and no subtraction is allowed once the claimant's FAGI exceeds \$50,000.

Under this bill, the phase-out provisions do not apply to a taxable year that begins after December 31, 2013.

This bill also expands the definition of tuition expenses to include any amount paid by a claimant in the year to which the claim relates on a student loan, the proceeds of which were used by the claimant to pay the claimant's expenses for tuition, fees, books, room and board, and educational supplies that were directly related to the claimant's attendance at an eligible institution. The bill defines eligible institution as a regionally accredited, nonprofit, postsecondary educational institution.

Student loan refinancing program and debt report

Under current law, HEAB administers certain grant and loan programs for resident students enrolled in institutions of higher education in this state.

This bill requires HEAB to establish a loan program under which state residents may refinance student loans. Under the program, HEAB provides a loan to an individual to pay off, some or all of, his or her outstanding student loan debt. To qualify for the program, an individual must satisfy similar eligibility requirements to the criteria a private lender uses to make an unsecured personal loan at market rates. Under the bill, HEAB must provide loans under the program at the lowest possible interest rate that is still sufficient to cover the expenses of the program. A loan issued under the program is not dischargeable in a bankruptcy proceeding.

This bill requires HEAB to submit an annual report to the Joint Committee on Finance regarding student loan debt incurred in the previous year by resident undergraduate students enrolled in the institutions within the UW System, the technical colleges within the technical college system, the tribally controlled colleges in this state, and the private, nonprofit accredited institutions of higher education in this state (collectively, "institutions of higher education located in this state"). The report must include that information, together with all of the following:

1. The statewide average amount of student loan debt incurred in the previous year by resident undergraduate students enrolled in institutions of higher education located in this state.

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2. A comparison of that statewide average to the national average amount of student loan debt incurred in the previous year by undergraduate students enrolled in institutions of higher education in the United States.

3. A comparison of that statewide average to the statewide average amount of student loan debt incurred in the previous year by undergraduate students in the state with the lowest ratio of statewide average student loan debt to the lowest quintile of state per capita income.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 39.28 (7) of the statutes is created to read:

2 39.28 (7) The board shall create on its Internet site a link to that portion of the
3 department of financial institutions' Internet site created under s. 224.30 (5) (c) and
4 (d).

5 **SECTION 2.** 39.52 of the statutes is created to read:

6 **39.52 Student loan debt reports.** (1) By January 1 of each year, the Board
7 of Regents of the University of Wisconsin System shall provide to the board the
8 average amount of student loan incurred in the previous year by resident
9 undergraduate students enrolled in each institution within that system, the
10 technical college system board shall provide to the board the average amount of
11 student loan debt incurred in the previous year by resident undergraduate students
12 enrolled in each technical college within that system, each tribally controlled college
13 in this state shall provide to the board the average amount of student loan debt
14 incurred in the previous year by resident undergraduate students enrolled in that
15 tribally controlled college and the Wisconsin Association of Independent Colleges

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1 and Universities or a successor organization shall provide to the board the average
2 amount of student loan debt incurred in the previous year by resident undergraduate
3 students enrolled in each of the private, nonprofit accredited institutions of higher
4 education in this state.

5 (2) By March 1 of each year, the board shall do all of the following:

6 (a) Compile the information provided to the board under sub. (1) and, from that
7 information, compute the statewide average amount of student loan debt incurred
8 in the previous year by resident undergraduate students enrolled in the institutions
9 specified in sub. (1).

10 (b) Compare the amount computed under par. (a) to the national average
11 amount of student loan debt incurred in the previous year by undergraduate
12 students enrolled in institutions of higher education in the United States.

13 (c) Compare the amount computed under par. (a) to the statewide average
14 amount of student loan debt incurred in the previous year by undergraduate
15 students in the state with the lowest ratio of statewide average student loan debt to
16 the lowest quintile of state per capita income.

17 (d) Submit a report regarding student loan debt incurred in the previous year
18 by resident undergraduate students at the institutions specified in sub. (1) to the
19 joint committee on finance. The report shall include the information provided to the
20 board under sub. (1), the statewide average amount of student loan debt computed
21 under par. (a), and the comparisons described in pars. (b) and (c).

22 **SECTION 3.** 39.54 of the statutes is created to read:

23 **39.54 Student lending transparency.** (1) In this section, "institution of
24 higher education" means an institution or college campus within the University of
25 Wisconsin System, a technical college within the technical college system, a tribally

BILL

1 controlled college, or a private, nonprofit institution of higher education located in
2 this state that provides an educational program for which the institution awards a
3 bachelor's degree or higher or provides a program that is acceptable toward such a
4 degree.

5 (2) Each institution of higher education shall provide to a prospective or newly
6 accepted student and to the student's parents clearly outlined and
7 easy-to-understand information pertaining to all of the following:

8 (a) The total cost of attendance at the institution of higher education.

9 (b) The approximate or, if known, the actual total amount of financial aid that
10 the student would receive from the institution of higher education, and the
11 approximate or, if known, the actual total amount of student loan debt that the
12 student would accumulate, over the course of 4 years if the student were to attend
13 the institution of higher education for 4 years.

14 (c) Student loan rates, repayment plans, default rates, and the actual monthly
15 payment that would be required to pay the student loan debt described in par. (b)
16 when the loan becomes due.

17 (3) Each institution of higher education shall create on its Internet site a link
18 to that portion of the department of financial institutions' Internet site created under
19 s. 224.30 (5) (c) and (d).

20 **SECTION 4.** 39.56 of the statutes is created to read:

21 **39.56 Loan counseling.** (1) **DEFINITION.** In this section, "institution of higher
22 education" means an institution or college campus within the University of
23 Wisconsin System, a technical college under ch. 38, or any private, nonprofit,
24 educational institution located in this state that provides an educational program for
25 which it awards an associate's or higher degree.

BILL

1 (2) **APPLICABILITY.** This section applies to any student loan offered by an
2 institution of higher education or a private lender or recommended to a student by
3 an institution of higher education, other than a federally funded, federally insured,
4 or federally guaranteed loan for which counseling is required by 20 USC 1092.

5 (3) **ENTRANCE COUNSELING.** (a) Before a student enters into a student loan
6 agreement, an institution of higher education shall provide the student with
7 comprehensive information on the terms and conditions of a loan and the
8 responsibilities the student has with respect to the loan. The institution shall
9 provide the information during a counseling session conducted in person, on a
10 written form provided to the student that the student signs and returns, or online,
11 with the student acknowledging receipt of the information. The information
12 provided shall include all of the following:

- 13 1. To the extent practicable, the effect of accepting the loan to be disbursed on
14 the eligibility of the borrower for other forms of student financial assistance.
- 15 2. How interest accrues and is capitalized during periods when the interest is
16 not paid by the borrower.
- 17 3. The definitions of full-time and half-time enrollment at the institution of
18 higher education, during regular terms and intersession terms, if applicable, and the
19 consequences of not maintaining full-time or half-time enrollment.
- 20 4. The importance of contacting the appropriate office at the institution of
21 higher education if the borrower withdraws before completing his or her program of
22 study so that the institution can provide counseling under sub. (4).
- 23 5. Sample monthly repayment amounts, based on a range of levels of
24 indebtedness.

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1 6. The obligation of the borrower to repay the full amount of the loan,
2 irrespective of whether the borrower completes his or her program of study at the
3 institution.

4 7. The likely consequences of default on the loan, including adverse credit
5 reports, delinquent debt collection procedures, and litigation.

6 8. Whether the student has reached the limit on his or her federal student loan
7 opportunities.

8 9. The name of, and contact information for, an individual the borrower may
9 contact if he or she has any questions about the borrower's rights and responsibilities
10 or the terms and conditions of the loan.

11 10. How a student or any member of the public may file a complaint about a
12 lender with the federal Consumer Financial Protection Bureau by calling a toll-free
13 telephone number, or by completing a complaint form, which may be obtained on the
14 bureau's Internet site. The toll-free telephone number and Internet site address of
15 the bureau shall be included.

16 (b) In conjunction with providing information under par. (a), the institution of
17 higher education shall also do all of the following:

18 1. Clearly distinguish private loans from federal loans in individual financial
19 aid awards by stating, for any private loans included by the institution as part of the
20 institution's award package, all of the following:

21 a. Whether the rate is fixed or variable.

22 b. An explanation that private student loan lenders can offer variable interest
23 rates that can increase or decrease over time, depending on market conditions.

24 c. An explanation that private student loans have a range of interest rates and
25 fees and students should determine the interest rate of, and any fees associated with,

BILL

1 the private student loan included in their financial aid award package before
2 accepting the loan.

3 d. An explanation that students should contact the lender of the private
4 student loan or their institution's financial aid office if they have any questions about
5 a private student loan.

6 e. An explanation that the interest rate on a private loan may depend on the
7 borrower's credit rating.

8 2. If the institution of higher education provides a private loan lender list,
9 provide general information about the loans available through the lender and
10 disclose the basis for each lender's inclusion on the list. The institution shall also
11 disclose with the list that the student may choose any lender.

12 (c) 1. A lender may not accept a final and complete application for a private
13 student loan from an applicant, or assess any fees upon an applicant, without first
14 receiving certification from the applicant's institution of higher education that the
15 applicant has received counseling from the institution under pars. (a) and (b) and
16 that the counseling was conducted in person, unless the certification specified that
17 the applicant elected to receive the counseling in a manner other than in person.

18 2. The certification required by subd. 1. shall be signed by the applicant and
19 the institutional counselor, and shall include the date of the counseling and the
20 name, address, and telephone number of both the counselor and the applicant. An
21 electronic facsimile copy of the counseling certification satisfies the requirement of
22 this subdivision. The lender shall maintain the certification in an accurate,
23 reproducible, and accessible format for the term of the student loan.

24 (4) EXIT COUNSELING. (a) As close as practicable to the date that a student
25 graduates from, transfers from, withdraws from, or otherwise completes his or her

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1 program of study at the institution of higher education, the institution shall provide
2 the student with information relating to all of the following:

3 1. Repayment plans that are available, including a description of the different
4 features of each plan and sample information showing the average anticipated
5 monthly payments, and the difference in interest paid and total payments, under
6 each plan.

7 2. Debt management strategies designed to facilitate the repayment of
8 indebtedness.

9 3. The options to prepay each loan, pay each loan on a shorter schedule, or
10 change repayment plans.

11 4. The likely consequences of default on the loan, including adverse credit
12 reports, delinquent debt collection procedures, and litigation.

13 5. The effects of consolidation on a borrower's underlying loan benefits.

14 6. Grace periods, loan forgiveness, cancellation, and deferment opportunities.

15 7. The borrower benefit programs of different lenders.

16 8. The tax benefits that may be available to borrowers.

17 9. How to enroll in income-based repayment.

18 (b) With respect to a student who leaves an institution of higher education
19 without the knowledge of the institution, the institution shall attempt to provide the
20 information described in par. (a) to the student in writing.

21 (5) FEE. An institution of higher education may assess a reasonable fee to the
22 lender to defray the cost of counseling under this section in an amount not exceeding
23 \$50. The higher educational aids board and the department of financial institutions
24 shall jointly promulgate rules to implement and administer this subsection.

25

SECTION 5. 39.58 of the statutes is created to read:



BILL

1 **39.58 Student loan refinancing program.** (1) In this section, "qualified
2 education loan" has the meaning given in 26 USC 221 (d).

3 (2) The board shall develop and implement a program under which state
4 residents may refinance qualified education loans. The board shall develop the
5 program to include all of the following:

6 (a) The board shall provide a loan to an eligible individual to pay all or part of
7 the individual's qualified education loans.

8 (b) The board may only issue loans under the program that satisfy the exception
9 to discharge under 11 USC 523 (8).

10 (c) The board shall establish eligibility criteria to participate in the program
11 that is substantially similar to the criteria used by private lenders in the state to
12 evaluate whether an individual qualifies for an unsecured personal loan at market
13 rates.

14 (d) The board shall set the interest rate on loans made under the program to
15 be as low as possible but still sufficient to fully pay all expenses of the program and
16 to provide necessary reserves, as determined by the board.

17 (3) The board shall promulgate rules to administer this section.

18 **SECTION 6.** 71.05 (6) (b) 28. (intro.) of the statutes is amended to read:

19 71.05 (6) (b) 28. (intro.) An amount paid by a claimant for tuition expenses and
20 mandatory student fees for a student who is the claimant or who is the claimant's
21 child and the claimant's dependent who is claimed under section 151 (c) of the
22 Internal Revenue Code, to attend any university, college, technical college or a school
23 approved under s. 38.50, that is located in Wisconsin or to attend a public vocational
24 school or public institution of higher education in Minnesota under the
25 Minnesota-Wisconsin reciprocity agreement under s. 39.47, calculated as follows: in

BILL**SECTION 6**

1 subd. 28. a., am., e., f., and h. In this subdivision, “tuition expenses” includes any
2 amount paid by a claimant in the year to which the claim relates on a loan, the
3 proceeds of which were used by the claimant to pay the claimant’s expenses for
4 tuition, fees, books, room and board, and educational supplies that were directly
5 related to the claimant’s attendance at an eligible educational institution, as defined
6 in s. 18.81 (2).

7 **SECTION 7.** 71.05 (6) (b) 28. j. of the statutes is created to read:

8 71.05 (6) (b) 28. j. The provisions of subd. 28. b., c., d., and g. do not apply to
9 a taxable year that begins after December 31, 2013.

10 **SECTION 8.** 224.30 (5) of the statutes is created to read:

11 224.30 (5) STUDENT LENDING TRANSPARENCY. (a) In this subsection:

12 1. “Higher education expenses” includes all of the following:

13 a. Tuition and fees.

14 b. Books and supplies

15 c. Room and board.

16 2. “Private student loan” means a loan issued by a private lending institution
17 for the purpose of paying for or financing higher education expenses.

18 3. “Private lending institution” means any private entity that itself or through
19 an affiliate makes available student loans to pay for or finance higher education
20 expenses.

21 4. “Student borrower” means any individual who borrows money from a private
22 lending institution to finance higher education expenses.

23 (b) The department shall compile data related to private student loans for the
24 purpose of comparing private lending institutions’ student loan interest rates and
25 repayment plans, including all of the following:

BILL

1 1. Policies relating to deferment and forbearance.

2 2. Loan default policies and penalties.

3 3. Any other information that the department deems relevant for the purpose
4 of creating a list of private lending institutions that provide the lowest rates and best
5 repayment options on student loans.

6 (c) 1. Using the data compiled under par. (b), the department shall create and
7 maintain a list of private lending institutions that provide the lowest rates and best
8 repayment options on student loans.

9 2. In addition to the list under subd. 1., the department shall compile a list of
10 the 10 best private lending institutions based on rates and policies that are most
11 favorable to the student borrower. The department may also consider the private
12 lending institutions' policies for allowing a student borrower to borrow more than 10
13 percent over the student borrower's total cost of higher education expenses when
14 determining if a private lending institution should be placed on this list.

15 (d) The department shall place the lists created and compiled under par. (c) at
16 an easily accessible location on the department's Internet site. The department shall
17 update its Internet site on a monthly basis to ensure that the student loan
18 information in these lists is current and accurate. Information pertaining to lending
19 institutions that do not make the list compiled under par. (c) 2. shall also be posted
20 on the department's Internet site and those lending institutions that provide the
21 worst rates and strictest repayment options shall be clearly indicated.

22 (e) The department shall make any list or other data under this subsection that
23 appears on the department's Internet site available to be linked as provided in ss.
24 39.28 (7) and 39.54 (3).

BILL

1 (f) The department may satisfy its duties under this subsection through a
2 designee or 3rd-party contractor.

3 **SECTION 9. Initial applicability.**

4 (1) TUITION EXPENSES DEDUCTION. The treatment of section 71.05 (6) (b) 28.
5 (intro.) and j. of the statutes first applies to taxable years beginning on January 1 of
6 the year in which this subsection takes effect, except that if this subsection takes
7 effect after July 31 the treatment of section 71.05 (6) (b) 28. (intro.) and j. of the
8 statutes first applies to taxable years beginning on January 1 of the year following
9 the year in which this subsection takes effect.

10 **SECTION 10. Effective date.**

11 (1) FINANCIAL AID INFORMATION. The treatment of sections 39.28 (7), 39.54, and
12 224.30 (5) of the statutes takes effect on the first day of the 7th month beginning after
13 publication.

14 (END)

Ins
LRB-2886/P1

DNOTE

2013-2014 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-3311/P1ins2
FFK:.....

ANALYSIS INSERT

The Wisconsin Student Loan Refinancing Authority

a year
This bill creates an authority, which is a public body corporate and politic, to be known as the Wisconsin Student Loan Refinancing Authority (WSLRA). The WSLRA is governed by a board that consists of four members of the legislature, three members who are students of an institution of higher learning, and two members with experience in making student loans. The five members of the board who are not members of the legislature are nominated by the governor, and with the advice and consent of the senate appointed, to serve two or three *a year* year terms. The board appoints the chief executive officer of WSLRA and annually elects the chairperson of the board. The board is given all the powers necessary or convenient to carry out its duties, as well as specific powers to conduct its corporate business, including the power to issue bonds for any corporate purpose.

Under the bill, the board must develop and implement a loan program under which state residents may refinance student loans. Under the program, WSLRA provides a loan to an individual to pay off some or all of his or her outstanding student loan debt. To qualify for the program, an individual must satisfy similar eligibility requirements to the criteria a private lender uses to make an unsecured personal loan at market rates. Under the bill, WSLRA must provide loans under the program at the lowest possible interest rate that is still sufficient to cover the expenses of the program. A loan issued under the program is not dischargeable in a bankruptcy proceeding.

END ANALYSIS INSERT

2013-2014 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-3311/P1ins
FFK:.....

INS 2880/P1 (PAGE 2, LINE 2) ^A

no 9

1 (1) (a) There is created an authority, which is a public body corporate and
2 politic, to be known as the "Wisconsin Student Loan Refinancing Authority." The
3 members of the board shall consist of all of the following:

4 1. One member of the majority party in each house of the legislature.

5 2. One member of the minority party in each house of the legislature.

6 3. One undergraduate student enrolled at least half-time and in good academic
7 standing at an institution within the University of Wisconsin System who is at least
8 18 years old and a resident of this state.

9 4. One student enrolled at least half-time and in good academic standing at a
10 technical college who is at least 18 years old and a resident of this state.

11 5. One undergraduate student enrolled at least half-time and in good academic
12 standing at a private, nonprofit institution of higher education located in this state
13 who is at least 18 years old and a resident of this state.

14 6. Two members who have at least 10 years experience in making qualified
15 education loans or loan refinancing, but any person having a financial interest in or
16 whose employer is primarily engaged in the business of making qualified education
17 loans is not eligible for appointment under this subdivision, and any member
18 appointed under this subdivision who acquires such an interest while serving as a
19 member shall resign from the board.

20 (b) 1. The members specified in par. (a) 1. and 2. shall be appointed as are the
21 members of standing committees in their respective houses.

22 2. The members specified in par. (a) 3. to 5. shall be nominated by the governor,
and with the advice and consent of the senate appointed for 2-year terms.

1 3. The members specified in par. (a) 6. shall be nominated by the governor, and
2 with the advice and consent of the senate appointed for 3-year terms.

3 (2) If a student member of the board appointed under sub. (1) (a) 3. to 5. loses
4 his or her student status upon which the appointment was based, he or she ceases
5 to be a member of the board upon the appointment of a qualified successor to the
6 board. A student member who loses his or her student status solely because he or
7 she graduates from an institution of higher education may complete his or her
8 current term of the board.

END INS 2880/P1



PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1 **AN ACT** to create chapter 239 of the statutes; relating to: the creation of an
2 authority, to be known as the Wisconsin Student Loan Authority.

Analysis by the Legislative Reference Bureau

This is a preliminary draft. An analysis will be provided in a subsequent version of this draft.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

Ensub
LRB
2880/P1
insert into
LRB-331/P1
at 14-2

3 **SECTION 1.** Chapter 239 of the statutes is created to read:

CHAPTER 239

**WISCONSIN STUDENT LOAN
(CAPS) REFINANCING
AUTHORITY**

7 **239.01 Definitions.** In this chapter:

8 (1) "Authority" means the Wisconsin Student Loan Authority.

9 (2) "Board" means the governing board of the authority.

TAS
2880/PIA

(3) "Qualified education loan" has the meaning given in 26 USC 221 (d).

239.02 Creation and organization of authority. (1) There is created an

authority, which is a public body corporate and politic, to be known as the "Wisconsin Student Loan Authority." The members of the board shall consist of the the state superintendent of public instruction and all of the following members, who are nominated by the governor, and with the advice and consent of the senate appointed, for 3-year terms, except that the members specified under pars. (e), (f), and (i) are appointed for 2-year terms:

(a) One member of the Board of Regents of the University of Wisconsin System.

(b) One member of the technical college system board.

(c) One financial aids administrator within the University of Wisconsin System.

(d) One financial aids administrator within the technical college system.

(e) One undergraduate student enrolled at least half-time and in good academic standing at an institution within the University of Wisconsin System who is at least 18 years old and a resident of this state.

(f) One student enrolled at least half-time and in good academic standing at a technical college who is at least 18 years old and a resident of this state.

(g) One member of a board of trustees of an independent college or university in this state.

(h) One financial aids administrator of a private, nonprofit institution of higher education located in this state.

(i) One undergraduate student enrolled at least half-time and in good academic standing at a private, nonprofit institution of higher education located in this state who is at least 18 years old and a resident of this state.

1 (j) One member who represents the public interest.

****NOTE: Upon your instruction, the members of the board are the same as the members of the higher educational aids board. It is my understanding that this is a placeholder.

2 (2) If a student member of the board under sub. (1) loses his or her student
3 status upon which the appointment was based, he or she ceases to be a member of
4 the board upon the appointment of a qualified successor to the board.

5 (3) The members of the board shall annually elect a chairperson and may elect
6 other officers as they consider appropriate. A majority of the members of the board
7 constitutes a quorum for the purpose of conducting its business and exercising its
8 powers and for all other purposes, notwithstanding the existence of any vacancies.
9 Action may be taken by the board upon a vote of a majority of the voting members
10 present.

11 (4) A member of the board may not be compensated for his or her services but
12 shall be reimbursed for actual and necessary expenses, including travel expenses,
13 incurred in the performance of his or her duties.

14 (5) No cause of action of any nature may arise against and no civil liability may
15 be imposed upon a member of the board for any act or omission in the performance
16 of his or her powers and duties under this chapter, unless the person asserting
17 liability proves that the act or omission constitutes willful misconduct.

18 (6) The board shall appoint a chief executive officer who shall not be a member
19 of the board and who shall serve at the pleasure of the board. The chief executive
20 officer shall receive such compensation as the board fixes. The chief executive officer
21 or other person designated by resolution of the board shall keep a record of the
22 proceedings of the authority and shall be custodian of all books, documents, and
23 papers filed with the authority, the minute book or journal of the authority, and its

1 official seal. The chief executive officer or other person may cause copies to be made
2 of all minutes and other records and documents of the authority and may give
3 certificates under the official seal of the authority to the effect that such copies are
4 true copies, and all persons dealing with the authority may rely upon such
5 certificates.

6 **239.03 Powers of board.** The board shall have all the powers necessary or
7 convenient to carry out the purposes and provisions of this chapter. In addition to
8 all other powers granted the board under this chapter, the board may specifically:

9 (1) Adopt, amend, and repeal any bylaws, policies, and procedures for the
10 regulation of its affairs and the conduct of its business.

11 (2) Have a seal and alter the seal at pleasure.

12 (3) Maintain an office.

13 (4) Sue and be sued.

14 (5) Accept gifts, grants, loans, or other contributions from private or public
15 sources.

16 (6) Establish the authority's annual budget and monitor the fiscal
17 management of the authority.

18 (7) Execute contracts and other instruments required for the operation of the
19 authority.

20 (8) Employ any officers, agents, and employees that it may require and
21 determine their qualifications, duties, and compensation.

22 (9) Issue notes, bonds, and any other obligations.

23 (10) Make loans and provide grants.

24 (11) Incur debt.

25 (12) Procure liability insurance.

****NOTE: These are specific powers that are granted to most authorities. You may wish to modify this list. Some examples of other powers specifically granted to existing authorities are found in ss. 231.03, 233.03, and 234.03.

1 **239.04 Duties of board.** The board shall develop and implement a program
2 under which state residents may refinance qualified education loans. The board
3 shall develop the program to include all of the following:

4 (1) The authority shall provide a loan to an eligible individual to pay all or part
5 of the individual's qualified education loans.

6 (2) The authority may only issues loans under the program that satisfy the
7 exception to discharge under 11 USC 523 (8).

****NOTE: Please confirm that this is consistent with your intent that the loans under the program would not be dischargeable in bankruptcy.

8 (3) The authority shall establish eligibility criteria to participate in the
9 program that is substantially similar to the criteria used by private lenders in the
10 state to evaluate whether an individual qualifies for an unsecured personal loan at
11 market rates.

12 (4) The board shall set the interest rate on loans made under the program to
13 be as low as possible but still sufficient to fully pay all expenses of the program and
14 to provide necessary reserves, as determined by the board.

****NOTE: Are there other specifics you would like to include in this section?

15 **239.05 Issuance of bonds.** (1) The authority may issue bonds for any
16 corporate purpose. All bonds are negotiable for all purposes, notwithstanding their
17 payment from a limited source.

18 (2) Except as may otherwise be expressly provided by the authority, every issue
19 of its notes or bonds shall be general obligations of the authority payable out of any
20 revenues or moneys of the authority, subject only to any agreements with the holders
21 of particular notes or bonds pledging any particular receipts or revenues.

1 (3) All bonds issued by the authority are negotiable investment securities
2 under ch. 408.

3 (4) The authority may not issue bonds unless the issuance is first authorized
4 by a bond resolution. Bonds shall bear the dates, mature at the times not exceeding
5 50 years from their dates of issue, bear interest at the rates, be payable at the times,
6 be in the denominations, be in the form, carry the registration and conversion
7 privileges, be executed in the manner, be payable in lawful money of the United
8 States at the places, and be subject to the terms of redemption, that the bond
9 resolution provides. The bonds shall be executed by the manual or facsimile
10 signatures of the officers of the authority designated by the board. The bonds may
11 be sold at public or private sale at the price, in the manner, and at the time,
12 determined by the board. Pending preparation of definitive bonds, the authority may
13 issue interim receipts or certificates that shall be exchanged for the definitive bonds.

14 (5) The board may include in a bond resolution provisions, which shall be a part
15 of the contract with the holders of the bonds that are authorized by the bond
16 resolution, regarding any of the following:

17 (a) Pledging or assigning specified assets or revenues of the authority.

18 (b) Setting aside reserves or sinking funds, and the regulation, investment, and
19 disposition of these funds.

20 (c) Limitations on the purpose to which or the investments in which the
21 proceeds of the sale of any issue of bonds may be applied.

22 (d) Limitations on the issuance of additional bonds, the terms upon which
23 additional bonds may be issued and secured, and the terms upon which additional
24 bonds may rank on a parity with, or be subordinate or superior to, other bonds.

25 (e) Funding, refunding, advance refunding, or purchasing outstanding bonds.

1 (f) Procedures, if any, by which the terms of any contract with bondholders may
2 be amended, the amount of bonds the holders of which must consent to the
3 amendment, and the manner in which this consent may be given.

4 (g) Defining the acts or omissions to act that constitute a default in the duties
5 of the authority to the bondholders, and providing the rights and remedies of the
6 bondholders in the event of a default.

7 (h) Other matters relating to the bonds that the board considers desirable.

8 (6) Neither the members of the board nor any person executing the bonds is
9 liable personally on the bonds or subject to any personal liability or accountability
10 by reason of the issuance of the bonds, unless the personal liability or accountability
11 is the result of willful misconduct.

****NOTE: I recommend having bond counsel review this draft to ensure that the
draft provides the necessary language for a successful bond offering.

12 **239.06 Bond security.** The authority may secure bonds by a trust agreement,
13 trust indenture, indenture of mortgage, or deed of trust by and between the authority
14 and one or more corporate trustees. A bond resolution providing for the issuance of
15 bonds so secured shall mortgage, pledge, assign, or grant security interests in some
16 or all of the revenues to be received by, and property of, the authority and may contain
17 those provisions for protecting and enforcing the rights and remedies of the
18 bondholders that are reasonable and proper and not in violation of law. A bond
19 resolution may contain other provisions determined by the board to be reasonable
20 and proper for the security of the bondholders.

21 **239.07 Bonds not public debt.** (1) The state is not liable on bonds and the
22 bonds are not a debt of the state. All bonds shall contain a statement to this effect
23 on the face of the bond. A bond issue does not, directly, indirectly, or contingently,

1 obligate the state or a political subdivision of the state to levy any tax or make any
2 appropriation for payment of the bonds. Nothing in this section prevents the
3 authority from pledging its full faith and credit to the payment of bonds.

4 (2) Nothing in this chapter authorizes the authority to create a debt of the state,
5 and all bonds issued by the authority are payable, and shall state that they are
6 payable, solely from the funds pledged for their payment in accordance with the bond
7 resolution authorizing their issuance or in any trust indenture or mortgage or deed
8 of trust executed as security for the bonds. The state is not liable for the payment
9 of the principal of or interest on a bond or for the performance of any pledge,
10 mortgage, obligation, or agreement that may be undertaken by the authority. The
11 breach of any pledge, mortgage, obligation, or agreement undertaken by the
12 authority does not impose pecuniary liability upon the state or a charge upon its
13 general credit or against its taxing power.

14 **239.08 State pledge.** The state pledges to and agrees with the bondholders,
15 and persons that enter into contracts with the authority under this chapter, that the
16 state will not limit or alter the rights vested in the authority by this chapter before
17 the authority has fully met and discharged the bonds, and any interest due on the
18 bonds, and has fully performed its contracts, unless adequate provision is made by
19 law for the protection of the bondholders or those entering into contracts with the
20 authority.

21 **239.09 Liability limited.** Neither the state nor any political subdivision of
22 the state, nor any officer, employee, or agent of the state or a political subdivision of
23 the state who is acting within the scope of employment or agency, is liable for any
24 debt, obligation, act, or omission of the authority.

1 **239.10 Annual report.** (1) Annually, the board shall submit to the chief clerk
2 of each house of the legislature, for distribution to the legislature under s. 13.172 (2),
3 a report on the activities of the authority, including all of the following:

- 4 (a) Its operations, accomplishments, goals, and objectives.
- 5 (b) A statement of income and expenses for the fiscal year.
- 6 (c) Its assets and liabilities at the end of its fiscal year.
- 7 (d) A schedule of its bonds and notes outstanding at the end of its fiscal year,
8 together with a statement of the amounts redeemed and incurred during such fiscal
9 year.

10 (2) The authority, annually on January 15, shall file with the department of
11 administration and the joint legislative council a complete and current listing of all
12 forms, reports, and papers required by the authority to be completed by any person,
13 other than a governmental body, as a condition of obtaining the approval of the
14 authority or for any other reason. The authority shall attach a blank copy of each
15 such form, report, or paper to the listing.

****NOTE: This is based on the annual reports that are required to be submitted by WHEDA.

16 **SECTION 2. Nonstatutory provisions.**

17 (1) STAGGERED TERMS. Notwithstanding the length of terms specified for the
18 members of the board of the Wisconsin Student Loan ^{Refinancing} Authority under section 239.02,
19 of the statutes, as created by this act, ¹ of the initial members shall be appointed for ^a
20 terms expiring on July 1, 2015, ² of the initial members shall be appointed for terms
21 expiring on July 1, 2016, and the remaining ² initial members shall be appointed for
22 terms expiring on July 1, 2017.

End
LRS

23 (END)
of the 5 members appointed under section 239.02(1)(a) 3. to 6, one

of the statutes as created by this act

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-2880/P1dn

3311/P1dn

FFK:kjm

Wade
p
sac

September 10, 2013

Date

To Jay Wadd:

Jon

Jon

Upon your instruction

As we discussed, this draft does not include the technical aspects of creating an authority, which includes numerous cross-references. Adding the cross-references to this draft will require you to decide how you want this authority to be treated for numerous purposes. You may want to start thinking about which existing authority could serve as a model for this purpose. Additionally, this draft does not provide any funding for the creation of the authority or for the activities of the authority.

Fern Knepp
Legislative Attorney
Phone: (608) 261-6927
E-mail: fern.knepp@legis.wisconsin.gov

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-3311/P1dn
FFK:sac:jf

October 3, 2013

To Jon:

Upon your instruction, this draft does not include the technical aspects of creating an authority, which includes numerous cross-references. Adding the cross-references to this draft will require you to decide how you want this authority to be treated for numerous purposes.

Fern Knepp
Legislative Attorney
Phone: (608) 261-6927
E-mail: fern.knepp@legis.wisconsin.gov

STATE OF WISCONSIN - LEGISLATIVE REFERENCE BUREAU

LRB

Research (608-266-0341)

Library (608-266-7040)

Legal (608-266-3561)

LRB

Phone call from Hansen's office

finalize WSLRA authority

↳ add all x-ref

like UW Clinics / NHEDA,
WEDC,



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-3311/P1
ALL:sac&kjf:jf

5/p2

In 10-11-13

Intro

stays

RMR

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

PR

Regen

1 AN ACT *to amend* 71.05 (6) (b) 28. (intro.); and *to create* 39.28 (7), 39.52, 39.54,
2 39.56, 71.05 (6) (b) 28. j., 224.30 (5) and chapter 239 of the statutes; **relating**
3 **to:** student loans, the individual income tax subtract modification for tuition
4 and student fees, creating an authority, to be known as the Wisconsin Student
5 Loan Refinancing Authority, and granting rule-making authority.

and making an appropriation

Analysis by the Legislative Reference Bureau

The Wisconsin Student Loan Refinancing Authority

This bill creates an authority, which is a public body corporate and politic, to be known as the Wisconsin Student Loan Refinancing Authority (WSLRA). The WSLRA is governed by a board that consists of four members of the legislature, three members who are students of an institution of higher learning, and two members with experience in making student loans. The five members of the board who are not members of the legislature are nominated by the governor, and with the advice and consent of the senate appointed, to serve two- or three-year terms. The board appoints the chief executive officer of WSLRA and annually elects the chairperson of the board. The board is given all the powers necessary or convenient to carry out its duties, as well as specific powers to conduct its corporate business, including the power to issue bonds for any corporate purpose.

Under the bill, the board must develop and implement a loan program under which state residents may refinance student loans. Under the program, WSLRA

provides a loan to an individual to pay off some or all of his or her outstanding student loan debt. To qualify for the program, an individual must satisfy similar eligibility requirements to the criteria a private lender uses to make an unsecured personal loan at market rates. Under the bill, WSLRA must provide loans under the program at the lowest possible interest rate that is still sufficient to cover the expenses of the program. A loan issued under the program is not dischargeable in a bankruptcy proceeding.

Financial aid information

This bill requires the Department of Financial Institutions (DFI) to compile data related to private student loans for the purpose of comparing private lending institutions' student loan interest rates and repayment plans. A "private student loan" is a loan issued by a private lending institution for the purpose of paying for or financing higher education expenses, including tuition and fees, books and supplies, and room and board. DFI must create and maintain a list of private lending institutions that provide the lowest rates and best repayment options on student loans. DFI must also compile a list of the top 10 best private lending institutions based on rates and policies that are most favorable to the student borrower. DFI must place these lists on DFI's Internet site and update the Internet site monthly to ensure that the student loan information in these lists is current and accurate. DFI's Internet site must also contain information pertaining to lending institutions that do not make the top 10 list, including identifying those lending institutions that provide the worst rates and strictest repayment options. DFI may satisfy its duties under the bill through a designee or third-party contractor.

The bill also requires an institution or college campus within the University of Wisconsin (UW) System, a technical college within the technical college system, a tribally controlled college, or a private, nonprofit institution of higher education located in this state (institution of higher education) to provide to a prospective or newly accepted student and to the student's parents clearly outlined and easy-to-understand information pertaining to all of the following:

1. The total cost of attendance at the institution of higher education.
2. The approximate or, if known, the actual total amount of financial aid that the student would receive from the institution of higher education, and the approximate or, if known, the actual total amount of student loan debt that the student would accumulate, over the course of four years if the student were to attend the institution of higher education for four years (student loan debt).
3. Student loan rates, repayment plans, default rates, and the actual monthly payment that would be required to pay that student loan debt when the loan becomes due.

Finally, the bill requires an institution of higher education and the Higher Educational Aids Board (HEAB) to create on their Internet sites a link to that portion of DFI's Internet site containing the lists and other information required under the bill.

Student loan counseling

This bill requires any institution of higher education in this state that offers an associate's or higher degree to provide loan counseling for its students. Under the

bill, before a student enters into a student loan agreement, the institution must provide the student with comprehensive information on the terms and conditions of a loan and the responsibilities the student has with respect to the loan. A lender may not accept an application for a private student loan, or assess any fees for the loan, unless the lender has received certification from the applicant's institution of higher education that the applicant has received such counseling.

The bill also requires an institution of higher education to provide a student with information when the student leaves the institution, whether through graduation, transfer, or otherwise. The information must include available loan repayment plans, debt management strategies, options for prepayment of loans, and the consequences of defaulting on a loan.

Finally, the bill authorizes an institution of higher education to assess a lender a reasonable fee of up to \$50 to defray the cost of the student counseling required under the bill.

Income tax subtraction

Under current law, there is an individual income tax subtraction for amounts paid by a claimant for tuition expenses and mandatory student fees for a student who is the claimant or the claimant's dependent under the Internal Revenue Code, to attend an institution of higher education that is approved by the Educational Approval Board and that is located in Wisconsin, or to attend certain postsecondary schools in Minnesota to which the Minnesota-Wisconsin reciprocity agreement applies. The tuition expenses and fees for which a subtraction may be claimed are calculated based on the amount of tuition charged by the UW System at four-year institutions.

Also under current law, the subtraction that a claimant may claim for such tuition expenses and mandatory student fees is reduced as the claimant's annual federal adjusted gross income (FAGI) increases until, at a certain point, no subtraction may be claimed. Currently, the allowable subtraction phases out, for a single person or a married person filing as a head of household, as the claimant's FAGI increases from \$50,000 to \$60,000. Once such a claimant's FAGI exceeds \$60,000, he or she may not claim the subtraction. For a married person filing a joint return, the phaseout occurs as the married couple's joint FAGI increases from \$80,000 to \$100,000, and no subtraction is allowed once the married couple's joint FAGI exceeds \$100,000. The phaseout for a married person filing a separate return occurs as the claimant's FAGI increases from \$40,000 to \$50,000, and no subtraction is allowed once the claimant's FAGI exceeds \$50,000.

Under this bill, the phase-out provisions do not apply to a taxable year that begins after December 31, 2013.

This bill also expands the definition of tuition expenses to include any amount paid by a claimant in the year to which the claim relates on a student loan, the proceeds of which were used by the claimant to pay the claimant's expenses for tuition, fees, books, room and board, and educational supplies that were directly related to the claimant's attendance at an eligible institution. The bill defines eligible institution as a regionally accredited, nonprofit, postsecondary educational institution.

Student loan debt report

Under current law, HEAB administers certain grant and loan programs for resident students enrolled in institutions of higher education in this state.

This bill requires HEAB to submit an annual report to the Joint Committee on Finance regarding student loan debt incurred in the previous year by resident undergraduate students enrolled in the institutions within the UW System, the technical colleges within the technical college system, the tribally controlled colleges in this state, and the private, nonprofit accredited institutions of higher education in this state (collectively, “institutions of higher education located in this state”). The report must include that information, together with all of the following:

1. The statewide average amount of student loan debt incurred in the previous year by resident undergraduate students enrolled in institutions of higher education located in this state.

2. A comparison of that statewide average to the national average amount of student loan debt incurred in the previous year by undergraduate students enrolled in institutions of higher education in the United States.

3. A comparison of that statewide average to the statewide average amount of student loan debt incurred in the previous year by undergraduate students in the state with the lowest ratio of statewide average student loan debt to the lowest quintile of state per capita income.

Because this bill relates to an exemption from state or local taxes, it may be referred to the Joint Survey Committee on Tax Exemptions for a report to be printed as an appendix to the bill.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

Ins 4-1
→

1 **SECTION 1.** 39.28 (7) of the statutes is created to read:

2 39.28 (7) The board shall create on its Internet site a link to that portion of the
3 department of financial institutions’ Internet site created under s. 224.30 (5) (c) and
4 (d).

5 **SECTION 2.** 39.52 of the statutes is created to read:

6 **39.52 Student loan debt reports.** (1) By January 1 of each year, the Board
7 of Regents of the University of Wisconsin System shall provide to the board the
8 average amount of student loan incurred in the previous year by resident

1 undergraduate students enrolled in each institution within that system, the
2 technical college system board shall provide to the board the average amount of
3 student loan debt incurred in the previous year by resident undergraduate students
4 enrolled in each technical college within that system, each tribally controlled college
5 in this state shall provide to the board the average amount of student loan debt
6 incurred in the previous year by resident undergraduate students enrolled in that
7 tribally controlled college and the Wisconsin Association of Independent Colleges
8 and Universities or a successor organization shall provide to the board the average
9 amount of student loan debt incurred in the previous year by resident undergraduate
10 students enrolled in each of the private, nonprofit accredited institutions of higher
11 education in this state.

12 (2) By March 1 of each year, the board shall do all of the following:

13 (a) Compile the information provided to the board under sub. (1) and, from that
14 information, compute the statewide average amount of student loan debt incurred
15 in the previous year by resident undergraduate students enrolled in the institutions
16 specified in sub. (1).

17 (b) Compare the amount computed under par. (a) to the national average
18 amount of student loan debt incurred in the previous year by undergraduate
19 students enrolled in institutions of higher education in the United States.

20 (c) Compare the amount computed under par. (a) to the statewide average
21 amount of student loan debt incurred in the previous year by undergraduate
22 students in the state with the lowest ratio of statewide average student loan debt to
23 the lowest quintile of state per capita income.

24 (d) Submit a report regarding student loan debt incurred in the previous year
25 by resident undergraduate students at the institutions specified in sub. (1) to the

1 joint committee on finance. The report shall include the information provided to the
2 board under sub. (1), the statewide average amount of student loan debt computed
3 under par. (a), and the comparisons described in pars. (b) and (c).

4 **SECTION 3.** 39.54 of the statutes is created to read:

5 **39.54 Student lending transparency.** (1) In this section, “institution of
6 higher education” means an institution or college campus within the University of
7 Wisconsin System, a technical college within the technical college system, a tribally
8 controlled college, or a private, nonprofit institution of higher education located in
9 this state that provides an educational program for which the institution awards a
10 bachelor’s degree or higher or provides a program that is acceptable toward such a
11 degree.

12 (2) Each institution of higher education shall provide to a prospective or newly
13 accepted student and to the student’s parents clearly outlined and
14 easy-to-understand information pertaining to all of the following:

15 (a) The total cost of attendance at the institution of higher education.

16 (b) The approximate or, if known, the actual total amount of financial aid that
17 the student would receive from the institution of higher education, and the
18 approximate or, if known, the actual total amount of student loan debt that the
19 student would accumulate, over the course of 4 years if the student were to attend
20 the institution of higher education for 4 years.

21 (c) Student loan rates, repayment plans, default rates, and the actual monthly
22 payment that would be required to pay the student loan debt described in par. (b)
23 when the loan becomes due.

1 (3) Each institution of higher education shall create on its Internet site a link
2 to that portion of the department of financial institutions' Internet site created under
3 s. 224.30 (5) (c) and (d).

4 **SECTION 4.** 39.56 of the statutes is created to read:

5 **39.56 Loan counseling.** (1) **DEFINITION.** In this section, "institution of higher
6 education" means an institution or college campus within the University of
7 Wisconsin System, a technical college under ch. 38, or any private, nonprofit,
8 educational institution located in this state that provides an educational program for
9 which it awards an associate's or higher degree.

10 (2) **APPLICABILITY.** This section applies to any student loan offered by an
11 institution of higher education or a private lender or recommended to a student by
12 an institution of higher education, other than a federally funded, federally insured,
13 or federally guaranteed loan for which counseling is required by 20 USC 1092.

14 (3) **ENTRANCE COUNSELING.** (a) Before a student enters into a student loan
15 agreement, an institution of higher education shall provide the student with
16 comprehensive information on the terms and conditions of a loan and the
17 responsibilities the student has with respect to the loan. The institution shall
18 provide the information during a counseling session conducted in person, on a
19 written form provided to the student that the student signs and returns, or online,
20 with the student acknowledging receipt of the information. The information
21 provided shall include all of the following:

22 1. To the extent practicable, the effect of accepting the loan to be disbursed on
23 the eligibility of the borrower for other forms of student financial assistance.

24 2. How interest accrues and is capitalized during periods when the interest is
25 not paid by the borrower.

1 3. The definitions of full-time and half-time enrollment at the institution of
2 higher education, during regular terms and intersession terms, if applicable, and the
3 consequences of not maintaining full-time or half-time enrollment.

4 4. The importance of contacting the appropriate office at the institution of
5 higher education if the borrower withdraws before completing his or her program of
6 study so that the institution can provide counseling under sub. (4).

7 5. Sample monthly repayment amounts, based on a range of levels of
8 indebtedness.

9 6. The obligation of the borrower to repay the full amount of the loan,
10 irrespective of whether the borrower completes his or her program of study at the
11 institution.

12 7. The likely consequences of default on the loan, including adverse credit
13 reports, delinquent debt collection procedures, and litigation.

14 8. Whether the student has reached the limit on his or her federal student loan
15 opportunities.

16 9. The name of, and contact information for, an individual the borrower may
17 contact if he or she has any questions about the borrower's rights and responsibilities
18 or the terms and conditions of the loan.

19 10. How a student or any member of the public may file a complaint about a
20 lender with the federal Consumer Financial Protection Bureau by calling a toll-free
21 telephone number, or by completing a complaint form, which may be obtained on the
22 bureau's Internet site. The toll-free telephone number and Internet site address of
23 the bureau shall be included.

24 (b) In conjunction with providing information under par. (a), the institution of
25 higher education shall also do all of the following:

1 1. Clearly distinguish private loans from federal loans in individual financial
2 aid awards by stating, for any private loans included by the institution as part of the
3 institution’s award package, all of the following:

4 a. Whether the rate is fixed or variable.

5 b. An explanation that private student loan lenders can offer variable interest
6 rates that can increase or decrease over time, depending on market conditions.

7 c. An explanation that private student loans have a range of interest rates and
8 fees and students should determine the interest rate of, and any fees associated with,
9 the private student loan included in their financial aid award package before
10 accepting the loan.

11 d. An explanation that students should contact the lender of the private
12 student loan or their institution’s financial aid office if they have any questions about
13 a private student loan.

14 e. An explanation that the interest rate on a private loan may depend on the
15 borrower’s credit rating.

16 2. If the institution of higher education provides a private loan lender list,
17 provide general information about the loans available through the lender and
18 disclose the basis for each lender’s inclusion on the list. The institution shall also
19 disclose with the list that the student may choose any lender.

20 (c) 1. A lender may not accept a final and complete application for a private
21 student loan from an applicant, or assess any fees upon an applicant, without first
22 receiving certification from the applicant’s institution of higher education that the
23 applicant has received counseling from the institution under pars. (a) and (b) and
24 that the counseling was conducted in person, unless the certification specified that
25 the applicant elected to receive the counseling in a manner other than in person.

1 2. The certification required by subd. 1. shall be signed by the applicant and
2 the institutional counselor, and shall include the date of the counseling and the
3 name, address, and telephone number of both the counselor and the applicant. An
4 electronic facsimile copy of the counseling certification satisfies the requirement of
5 this subdivision. The lender shall maintain the certification in an accurate,
6 reproducible, and accessible format for the term of the student loan.

7 (4) EXIT COUNSELING. (a) As close as practicable to the date that a student
8 graduates from, transfers from, withdraws from, or otherwise completes his or her
9 program of study at the institution of higher education, the institution shall provide
10 the student with information relating to all of the following:

11 1. Repayment plans that are available, including a description of the different
12 features of each plan and sample information showing the average anticipated
13 monthly payments, and the difference in interest paid and total payments, under
14 each plan.

15 2. Debt management strategies designed to facilitate the repayment of
16 indebtedness.

17 3. The options to prepay each loan, pay each loan on a shorter schedule, or
18 change repayment plans.

19 4. The likely consequences of default on the loan, including adverse credit
20 reports, delinquent debt collection procedures, and litigation.

21 5. The effects of consolidation on a borrower's underlying loan benefits.

22 6. Grace periods, loan forgiveness, cancellation, and deferment opportunities.

23 7. The borrower benefit programs of different lenders.

24 8. The tax benefits that may be available to borrowers.

25 9. How to enroll in income-based repayment.

1 (b) With respect to a student who leaves an institution of higher education
2 without the knowledge of the institution, the institution shall attempt to provide the
3 information described in par. (a) to the student in writing.

4 (5) FEE. An institution of higher education may assess a reasonable fee to the
5 lender to defray the cost of counseling under this section in an amount not exceeding
6 \$50. The higher educational aids board and the department of financial institutions
7 shall jointly promulgate rules to implement and administer this subsection.

INS
11-7

8 SECTION 5. 71.05 (6) (b) 28. (intro.) of the statutes is amended to read:

9 71.05 (6) (b) 28. (intro.) An amount paid by a claimant for tuition expenses and
10 mandatory student fees for a student who is the claimant or who is the claimant's
11 child and the claimant's dependent who is claimed under section 151 (c) of the
12 Internal Revenue Code, to attend any university, college, technical college or a school
13 approved under s. 38.50, that is located in Wisconsin or to attend a public vocational
14 school or public institution of higher education in Minnesota under the
15 Minnesota-Wisconsin reciprocity agreement under s. 39.47, calculated as follows: in
16 subd. 28. a., am., e., f., and h. In this subdivision, "tuition expenses" includes any
17 amount paid by a claimant in the year to which the claim relates on a loan, the
18 proceeds of which were used by the claimant to pay the claimant's expenses for
19 tuition, fees, books, room and board, and educational supplies that were directly
20 related to the claimant's attendance at an eligible educational institution, as defined
21 in s. 18.81 (2).

22 SECTION 6. 71.05 (6) (b) 28. j. of the statutes is created to read:

23 71.05 (6) (b) 28. j. The provisions of subd. 28. b., c., d., and g. do not apply to
24 a taxable year that begins after December 31, 2013.

INS
11-24

25 SECTION 7. 224.30 (5) of the statutes is created to read:

1 224.30 (5) STUDENT LENDING TRANSPARENCY. (a) In this subsection:

2 1. “Higher education expenses” includes all of the following:

3 a. Tuition and fees.

4 b. Books and supplies

5 c. Room and board.

6 2. “Private student loan” means a loan issued by a private lending institution
7 for the purpose of paying for or financing higher education expenses.

8 3. “Private lending institution” means any private entity that itself or through
9 an affiliate makes available student loans to pay for or finance higher education
10 expenses.

11 4. “Student borrower” means any individual who borrows money from a private
12 lending institution to finance higher education expenses.

13 (b) The department shall compile data related to private student loans for the
14 purpose of comparing private lending institutions’ student loan interest rates and
15 repayment plans, including all of the following:

16 1. Policies relating to deferment and forbearance.

17 2. Loan default policies and penalties.

18 3. Any other information that the department deems relevant for the purpose
19 of creating a list of private lending institutions that provide the lowest rates and best
20 repayment options on student loans.

21 (c) 1. Using the data compiled under par. (b), the department shall create and
22 maintain a list of private lending institutions that provide the lowest rates and best
23 repayment options on student loans.

24 2. In addition to the list under subd. 1., the department shall compile a list of
25 the 10 best private lending institutions based on rates and policies that are most

1 favorable to the student borrower. The department may also consider the private
2 lending institutions' policies for allowing a student borrower to borrow more than 10
3 percent over the student borrower's total cost of higher education expenses when
4 determining if a private lending institution should be placed on this list.

5 (d) The department shall place the lists created and compiled under par. (c) at
6 an easily accessible location on the department's Internet site. The department shall
7 update its Internet site on a monthly basis to ensure that the student loan
8 information in these lists is current and accurate. Information pertaining to lending
9 institutions that do not make the list compiled under par. (c) 2. shall also be posted
10 on the department's Internet site and those lending institutions that provide the
11 worst rates and strictest repayment options shall be clearly indicated.

12 (e) The department shall make any list or other data under this subsection that
13 appears on the department's Internet site available to be linked as provided in ss.
14 39.28 (7) and 39.54 (3).

15 (f) The department may satisfy its duties under this subsection through a
16 designee or 3rd-party contractor.

17 **SECTION 8.** Chapter 239 of the statutes is created to read:

18 **CHAPTER 239**

19 **WISCONSIN STUDENT LOAN**

20 **REFINANCING AUTHORITY**

21 **239.01 Definitions.** In this chapter:

22 (1) "Authority" means the Wisconsin Student Loan Refinancing Authority.

23 (2) "Board" means the governing board of the authority.

24 (3) "Qualified education loan" has the meaning given in 26 USC 221 (d).

JWS
13-16

1 **239.02 Creation and organization of authority.** (1) (a) There is created an
2 authority, which is a public body corporate and politic, to be known as the “Wisconsin
3 Student Loan Refinancing Authority.” The members of the board shall consist of all
4 of the following:

5 1. One member of the majority party in each house of the legislature.
6 2. One member of the minority party in each house of the legislature.
7 3. One undergraduate student enrolled at least half-time and in good academic
8 standing at an institution within the University of Wisconsin System who is at least
9 18 years old and a resident of this state.

10 4. One student enrolled at least half-time and in good academic standing at a
11 technical college who is at least 18 years old and a resident of this state.

12 5. One undergraduate student enrolled at least half-time and in good academic
13 standing at a private, nonprofit institution of higher education located in this state
14 who is at least 18 years old and a resident of this state.

15 6. Two members who have at least 10 years experience in making qualified
16 education loans or loan refinancing, but any person having a financial interest in or
17 whose employer is primarily engaged in the business of making qualified education
18 loans is not eligible for appointment under this subdivision, and any member
19 appointed under this subdivision who acquires such an interest while serving as a
20 member shall resign from the board.

21 (b) 1. The members specified in par. (a) 1. and 2. shall be appointed as are the
22 members of standing committees in their respective houses.

23 2. The members specified in par. (a) 3. to 5. shall be nominated by the governor,
24 and with the advice and consent of the senate appointed, for 2-year terms.

1 3. The members specified in par. (a) 6. shall be nominated by the governor, and
2 with the advice and consent of the senate appointed for 3-year terms.

3 (2) If a student member of the board appointed under sub. (1) (a) 3. to 5. loses
4 his or her student status upon which the appointment was based, he or she ceases
5 to be a member of the board upon the appointment of a qualified successor to the
6 board. A student member who loses his or her student status solely because he or
7 she graduates from an institution of higher education may complete his or her
8 current term of the board.

9 (3) The members of the board shall annually elect a chairperson and may elect
10 other officers as they consider appropriate. A majority of the members of the board
11 constitutes a quorum for the purpose of conducting its business and exercising its
12 powers and for all other purposes, notwithstanding the existence of any vacancies.
13 Action may be taken by the board upon a vote of a majority of the voting members
14 present.

15 (4) A member of the board may not be compensated for his or her services but
16 shall be reimbursed for actual and necessary expenses, including travel expenses,
17 incurred in the performance of his or her duties.

18 (5) No cause of action of any nature may arise against and no civil liability may
19 be imposed upon a member of the board for any act or omission in the performance
20 of his or her powers and duties under this chapter, unless the person asserting
21 liability proves that the act or omission constitutes willful misconduct.

22 (6) The board shall appoint a chief executive officer who shall not be a member
23 of the board and who shall serve at the pleasure of the board. The chief executive
24 officer shall receive such compensation as the board fixes. The chief executive officer
25 or other person designated by resolution of the board shall keep a record of the

1 proceedings of the authority and shall be custodian of all books, documents, and
2 papers filed with the authority, the minute book or journal of the authority, and its
3 official seal. The chief executive officer or other person may cause copies to be made
4 of all minutes and other records and documents of the authority and may give
5 certificates under the official seal of the authority to the effect that such copies are
6 true copies, and all persons dealing with the authority may rely upon such
7 certificates.

8 **239.03 Powers of board.** The board shall have all the powers necessary or
9 convenient to carry out the purposes and provisions of this chapter. In addition to
10 all other powers granted the board under this chapter, the board may specifically:

11 (1) Adopt, amend, and repeal any bylaws, policies, and procedures for the
12 regulation of its affairs and the conduct of its business.

13 (2) Have a seal and alter the seal at pleasure.

14 (3) Maintain an office.

15 (4) Sue and be sued.

16 (5) Accept gifts, grants, loans, or other contributions from private or public
17 sources.

18 (6) Establish the authority's annual budget and monitor the fiscal
19 management of the authority.

20 (7) Execute contracts and other instruments required for the operation of the
21 authority.

22 (8) Employ any officers, agents, and employees that it may require and
23 determine their qualifications, duties, and compensation.

24 (9) Issue notes, bonds, and any other obligations.

25 (10) Make loans and provide grants.

1 (11) Incur debt.

2 (12) Procure liability insurance.

3 **239.04 Duties of board.** The board shall develop and implement a program
4 under which state residents may refinance qualified education loans. The board
5 shall develop the program to include all of the following:

6 (1) The authority shall provide a loan to an eligible individual to pay all or part
7 of the individual's qualified education loans.

8 (2) The authority may only issues loans under the program that satisfy the
9 exception to discharge under 11 USC 523 (8).

10 (3) The authority shall establish eligibility criteria to participate in the
11 program that is substantially similar to the criteria used by private lenders in the
12 state to evaluate whether an individual qualifies for an unsecured personal loan at
13 market rates.

14 (4) The board shall set the interest rate on loans made under the program to
15 be as low as possible but still sufficient to fully pay all expenses of the program and
16 to provide necessary reserves, as determined by the board.

17 **239.05 Issuance of bonds.** (1) The authority may issue bonds for any
18 corporate purpose. All bonds are negotiable for all purposes, notwithstanding their
19 payment from a limited source.

20 (2) Except as may otherwise be expressly provided by the authority, every issue
21 of its notes or bonds shall be general obligations of the authority payable out of any
22 revenues or moneys of the authority, subject only to any agreements with the holders
23 of particular notes or bonds pledging any particular receipts or revenues.

24 (3) All bonds issued by the authority are negotiable investment securities
25 under ch. 408.

1 (4) The authority may not issue bonds unless the issuance is first authorized
2 by a bond resolution. Bonds shall bear the dates, mature at the times not exceeding
3 50 years from their dates of issue, bear interest at the rates, be payable at the times,
4 be in the denominations, be in the form, carry the registration and conversion
5 privileges, be executed in the manner, be payable in lawful money of the United
6 States at the places, and be subject to the terms of redemption, that the bond
7 resolution provides. The bonds shall be executed by the manual or facsimile
8 signatures of the officers of the authority designated by the board. The bonds may
9 be sold at public or private sale at the price, in the manner, and at the time,
10 determined by the board. Pending preparation of definitive bonds, the authority may
11 issue interim receipts or certificates that shall be exchanged for the definitive bonds.

12 (5) The board may include in a bond resolution provisions, which shall be a part
13 of the contract with the holders of the bonds that are authorized by the bond
14 resolution, regarding any of the following:

15 (a) Pledging or assigning specified assets or revenues of the authority.

16 (b) Setting aside reserves or sinking funds, and the regulation, investment, and
17 disposition of these funds.

18 (c) Limitations on the purpose to which or the investments in which the
19 proceeds of the sale of any issue of bonds may be applied.

20 (d) Limitations on the issuance of additional bonds, the terms upon which
21 additional bonds may be issued and secured, and the terms upon which additional
22 bonds may rank on a parity with, or be subordinate or superior to, other bonds.

23 (e) Funding, refunding, advance refunding, or purchasing outstanding bonds.

1 (f) Procedures, if any, by which the terms of any contract with bondholders may
2 be amended, the amount of bonds the holders of which must consent to the
3 amendment, and the manner in which this consent may be given.

4 (g) Defining the acts or omissions to act that constitute a default in the duties
5 of the authority to the bondholders, and providing the rights and remedies of the
6 bondholders in the event of a default.

7 (h) Other matters relating to the bonds that the board considers desirable.

8 (6) Neither the members of the board nor any person executing the bonds is
9 liable personally on the bonds or subject to any personal liability or accountability
10 by reason of the issuance of the bonds, unless the personal liability or accountability
11 is the result of willful misconduct.

12 **239.06 Bond security.** The authority may secure bonds by a trust agreement,
13 trust indenture, indenture of mortgage, or deed of trust by and between the authority
14 and one or more corporate trustees. A bond resolution providing for the issuance of
15 bonds so secured shall mortgage, pledge, assign, or grant security interests in some
16 or all of the revenues to be received by, and property of, the authority and may contain
17 those provisions for protecting and enforcing the rights and remedies of the
18 bondholders that are reasonable and proper and not in violation of law. A bond
19 resolution may contain other provisions determined by the board to be reasonable
20 and proper for the security of the bondholders.

21 **239.07 Bonds not public debt.** (1) The state is not liable on bonds and the
22 bonds are not a debt of the state. All bonds shall contain a statement to this effect
23 on the face of the bond. A bond issue does not, directly, indirectly, or contingently,
24 obligate the state or a political subdivision of the state to levy any tax or make any

1 appropriation for payment of the bonds. Nothing in this section prevents the
2 authority from pledging its full faith and credit to the payment of bonds.

3 (2) Nothing in this chapter authorizes the authority to create a debt of the state,
4 and all bonds issued by the authority are payable, and shall state that they are
5 payable, solely from the funds pledged for their payment in accordance with the bond
6 resolution authorizing their issuance or in any trust indenture or mortgage or deed
7 of trust executed as security for the bonds. The state is not liable for the payment
8 of the principal of or interest on a bond or for the performance of any pledge,
9 mortgage, obligation, or agreement that may be undertaken by the authority. The
10 breach of any pledge, mortgage, obligation, or agreement undertaken by the
11 authority does not impose pecuniary liability upon the state or a charge upon its
12 general credit or against its taxing power.

13 **239.08 State pledge.** The state pledges to and agrees with the bondholders,
14 and persons that enter into contracts with the authority under this chapter, that the
15 state will not limit or alter the rights vested in the authority by this chapter before
16 the authority has fully met and discharged the bonds, and any interest due on the
17 bonds, and has fully performed its contracts, unless adequate provision is made by
18 law for the protection of the bondholders or those entering into contracts with the
19 authority.

20 **239.09 Liability limited.** Neither the state nor any political subdivision of
21 the state, nor any officer, employee, or agent of the state or a political subdivision of
22 the state who is acting within the scope of employment or agency, is liable for any
23 debt, obligation, act, or omission of the authority.

1 **239.10 Annual report.** (1) Annually, the board shall submit to the chief clerk
2 of each house of the legislature, for distribution to the legislature under s. 13.172 (2),
3 a report on the activities of the authority, including all of the following:

4 (a) Its operations, accomplishments, goals, and objectives.

5 (b) A statement of income and expenses for the fiscal year.

6 (c) Its assets and liabilities at the end of its fiscal year.

7 (d) A schedule of its bonds and notes outstanding at the end of its fiscal year,
8 together with a statement of the amounts redeemed and incurred during such fiscal
9 year.

10 (2) The authority, annually on January 15, shall file with the department of
11 administration and the joint legislative council a complete and current listing of all
12 forms, reports, and papers required by the authority to be completed by any person,
13 other than a governmental body, as a condition of obtaining the approval of the
14 authority or for any other reason. The authority shall attach a blank copy of each
15 such form, report, or paper to the listing.

16 **SECTION 9. Nonstatutory provisions.**

17 (1) STAGGERED TERMS. Notwithstanding the length of terms specified for the
18 members of the board of the Wisconsin Student Loan Refinancing Authority under
19 section 239.02 of the statutes, as created by this act, of the 5 members appointed
20 under section 239.02 (1) (a) 3. to 6. of the statutes, as created by this act, one of the
21 initial members shall be appointed for a term expiring on July 1, 2015, 2 of the initial
22 members shall be appointed for terms expiring on July 1, 2016, and the remaining
23 2 initial members shall be appointed for terms expiring on July 1, 2017.

24 **SECTION 10. Initial applicability.**

