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SENATE FILE 391

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KIBBIE, and BOLKCOM

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act to provide a student bridge loan program for loans to  
2 needy taxpayers who will receive federal education income tax  
3 credits for payment of certain postsecondary education tuition  
4 costs and related expenses and including a one-year  
5 appropriation to a revolving fund to provide for the loans.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 391  
EDUCATION

1 Section 1. NEW SECTION. 261.130 DEFINITIONS.

2 As used in this division, unless the context otherwise  
3 requires:

4 1. "Commission" means the college student aid commission.

5 2. "Education tax credit" means the federal hope  
6 scholarship credit or lifetime learning credit under section  
7 25A of the Internal Revenue Code.

8 3. "Eligible borrower" means a taxpayer who is reasonably  
9 expected to qualify for receiving the federal hope scholarship  
10 credit or lifetime learning credit under section 25A of the  
11 Internal Revenue Code.

12 4. "Eligible institution" means any postsecondary  
13 educational institution described in section 418 of the Higher  
14 Education Act of 1965 which is entitled to participate in a  
15 program under Title IV of that Act.

16 5. "Higher Education Act of 1965" means the federal Higher  
17 Education Act of 1965, as amended and codified in 20 U.S.C. §  
18 1071 et seq.

19 6. "Internal Revenue Code" means the same as defined in  
20 section 422.3.

21 7. "Qualified tuition and related expenses" means the same  
22 as defined in section 25A(f) of the Internal Revenue Code.

23 Sec. 2. NEW SECTION. 261.131 STUDENT BRIDGE LOAN  
24 PROGRAM.

25 1. A student bridge loan program shall be established by  
26 the commission to provide loans to an eligible borrower to  
27 bridge the gap between the time qualified tuition and related  
28 expenses for enrollment or attendance at an eligible  
29 institution are incurred and the time when the eligible  
30 borrower will receive the benefit of an education tax credit.

31 2. An eligible borrower seeking a loan under the student  
32 bridge loan program shall file an application with the  
33 commission and demonstrate a need for a short-term loan to pay  
34 for all or part of the qualified tuition and related expenses  
35 for enrollment or attendance at the eligible institution. The

1 demonstrated need for the loan shall be for not longer than  
2 one school year.

3 3. The amount of the loan shall not exceed the approximate  
4 amount of an educational tax credit which will be claimed by  
5 the eligible borrower for the tax year in which the qualified  
6 tuition and related expenses will be paid.

7 4. A student bridge loan made under this program shall be  
8 used solely for payment of qualified tuition and related  
9 expenses. The loan shall be repayable by June 30 of the year  
10 following the tax year for which the educational tax credit is  
11 claimed. Interest shall not be charged on the loan until  
12 after the due date. After the due date, interest shall be  
13 charged at a rate equal to the rate being collected by an  
14 eligible lender under the guaranteed loan payment program  
15 established under section 261.44.

16 5. An eligible borrower is eligible to receive student  
17 bridge loans under this program for more than one school year  
18 or portion of a school year.

19 Sec. 3. NEW SECTION. 261.132 APPROPRIATION -- REVOLVING  
20 FUND.

21 There is appropriated to the student bridge loan program  
22 revolving fund created in the state treasury and under the  
23 control of the commission the sum of five million dollars for  
24 the fiscal year beginning July 1, 1999.

25 Moneys appropriated to the revolving fund shall be used by  
26 the commission for purposes of making student bridge loans to  
27 eligible borrowers under the student bridge loan program.  
28 Interest earned on moneys in the revolving fund shall be  
29 credited to the revolving fund, notwithstanding section 12C.7.  
30 All repayment of loans made under the program shall be  
31 credited to the revolving fund.

32 Notwithstanding section 8.33, all unencumbered or  
33 unobligated moneys remaining at the close of any fiscal year  
34 in the revolving fund shall not revert but shall remain  
35 available to the commission for use of the revolving fund.

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EXPLANATION

The bill creates a special loan program under the college student aid commission to provide loans to needy low-income and middle-income taxpayers who will be eligible under their federal income tax to receive a hope scholarship credit or a lifetime learning credit. The loan would be available to pay for certain tuition and related expenses and would be repaid when the taxpayer subsequently receives the benefit of the federal tax credit.

A \$5 million appropriation is made for the 1999-2000 fiscal year to establish a revolving loan fund under the control of the commission to make these loans.