

---

THE GENERAL ASSEMBLY OF PENNSYLVANIA

---

SENATE BILL

No. 143 Session of  
2021

---

INTRODUCED BY AUMENT, BROWNE, SCAVELLO, YUDICHAK, FONTANA,  
J. WARD, BOSCOLA AND PITTMAN, FEBRUARY 22, 2021

---

REFERRED TO EDUCATION, FEBRUARY 22, 2021

---

AN ACT

1 Amending Title 24 (Education) of the Pennsylvania Consolidated  
2 Statutes, establishing the Student Loan Retirement Agreement  
3 Program and the Student Loan Retirement Agreement Advisory  
4 Committee.

5 The General Assembly of the Commonwealth of Pennsylvania  
6 hereby enacts as follows:

7 Section 1. Title 24 of the Pennsylvania Consolidated  
8 Statutes is amended by adding a chapter to read:

9 CHAPTER 73

10 STUDENT LOAN RETIREMENT AGREEMENT PROGRAM

11 Sec.

12 7301. Scope of chapter.

13 7302. Definitions.

14 7303. Student Loan Retirement Agreement Program.

15 7304. Program administration.

16 7305. Terms and conditions.

17 7306. Line of credit.

18 7307. Student Loan Retirement Agreement Advisory Committee.

19 7308. Public awareness and education.

1 § 7301. Scope of chapter.

2 This chapter relates to the Student Loan Retirement Agreement  
3 Program.

4 § 7302. Definitions.

5 The following words and phrases when used in this chapter  
6 shall have the meanings given to them in this section unless the  
7 context clearly indicates otherwise:

8 "Benefactor." A person that has incurred student loan debt  
9 on behalf of an eligible applicant. The term includes an  
10 eligible applicant's parents.

11 "College or university." An institution of higher education  
12 accredited by an agency recognized under section 496 of the  
13 Higher Education Act of 1965 (Public Law 89-329, 20 U.S.C. §  
14 1099b), which is approved by the program administrator in  
15 consultation with the committee.

16 "Committee." The Student Loan Retirement Agreement Advisory  
17 Committee established under section 7307 (relating to Student  
18 Loan Retirement Agreement Advisory Committee).

19 "Cost of education." The cost of education contemplated by  
20 Title I, Part C of the Higher Education Act of 1965 (Public Law  
21 89-329, 20 U.S.C. § 1015 et seq.) paid to a college or  
22 university.

23 "Eligible applicant." An individual who has been determined  
24 by the program administrator under section 7304 (relating to  
25 program administration) to be eligible for the program.

26 "Income." Adjusted gross income for Federal income tax  
27 purposes.

28 "Income share agreement." An agreement which states the  
29 terms and conditions between a participant and a provider and  
30 commits the participant to pay a specific share or percentage of

1 the participant's income, for a period of time and at  
2 frequencies specified under the terms and conditions, in  
3 exchange for a payment to the participant to be used to repay  
4 the participant's or a benefactor's student loan debt.

5 "Line of credit." The line of credit from the State Treasury  
6 established for the program administrator or providers to  
7 borrow, repay and reborrow under the program on a revolving  
8 basis under section 7306 (relating to line of credit).

9 "Participant." An eligible applicant who enters into an  
10 income share agreement with a provider.

11 "Program." The Student Loan Retirement Agreement Program  
12 established under section 7303 (relating to Student Loan  
13 Retirement Agreement Program).

14 "Program administrator." The Pennsylvania Higher Education  
15 Assistance Agency.

16 "Program guidelines." The policies, procedures and  
17 guidelines established by the program administrator, in  
18 consultation with the committee, for the administration of the  
19 program.

20 "Provider." The program administrator or an entity created  
21 or designated by the program administrator, in consultation with  
22 the committee.

23 "Related securities." A security which results from the  
24 securitization of the income share agreement, the use of an  
25 income share agreement as collateral for direct and indirect  
26 borrowing or the use of an income share agreement in connection  
27 with a similar structured finance program approved by the  
28 program administrator.

29 "Student loan debt." Debt incurred by an eligible applicant  
30 or by the eligible applicant's benefactors on the eligible

1 applicant's behalf to pay for the cost of education.

2 "Terms and conditions." The terms and conditions specified  
3 under section 7305 (relating to terms and conditions).

4 "Treasurer." The State Treasurer of the Commonwealth.

5 "Underwriting criteria." The credit and other criteria  
6 established by the program administrator and used by a provider  
7 to determine:

8 (1) whether to purchase an income share agreement from  
9 an eligible applicant;

10 (2) the terms and conditions of an income share  
11 agreement for an eligible applicant; and

12 (3) whether the income share agreement or an income  
13 share agreement related security is saleable.

14 § 7303. Student Loan Retirement Agreement Program.

15 (a) Establishment.--The Student Loan Retirement Agreement  
16 Program is established to facilitate the repayment of student  
17 loan debt by participants and benefactors. Under the program,  
18 the program administrator shall determine if an individual is an  
19 eligible applicant. If the individual is determined an eligible  
20 applicant, a provider may enter into an income share agreement  
21 with the participant in exchange for satisfying the student loan  
22 debt of the participant or a benefactor with money advanced  
23 under the line of credit. The provider shall sell the income  
24 share agreements the provider enters into with participants or  
25 create, aggregate and sell related securities composed of or  
26 resulting from the income share agreements the provider enters  
27 into with participants.

28 (b) Administration.--The program shall be administered by  
29 the program administrator in consultation with the committee.  
30 The program administrator may create, utilize, fund or own a

1 provider and hire consultants, attorneys and financial advisors  
2 and professionals as deemed necessary to facilitate the  
3 administration of the program and the use of the program by  
4 participants.

5 (c) Guidelines.--The program administrator, in consultation  
6 with the committee, shall develop program guidelines as are  
7 necessary for the administration of the program within one year  
8 of the effective date of this subsection.

9 (d) Proceeds.--Proceeds from the sale of income share  
10 agreements and related securities shall be used to pay  
11 transaction and administrative costs and to repay money advanced  
12 by the treasurer in accordance with section 7305 (relating to  
13 terms and conditions).

14 (e) Commonwealth payment.--If the program is canceled by the  
15 committee in consultation with the program administrator, the  
16 Commonwealth shall pay the program administrator costs that are  
17 not paid in connection with a sale of an income share agreement  
18 or a related security, incurred by the program administrator to  
19 administer the program under this chapter.

20 § 7304. Program administration.

21 (a) Application.--An individual shall apply to the program  
22 administrator to retire an eligible applicant's or a  
23 benefactor's student loan debt under the program. The  
24 application shall be on the forms and in the manner as  
25 established by the program administrator.

26 (b) Review.--

27 (1) The program administrator shall review the  
28 application and any other information the program  
29 administrator deems necessary to determine if an individual  
30 applying under subsection (a) meets all of the following:

1           (i) The individual is a current resident of this  
2 Commonwealth.

3           (ii) The individual is currently employed in this  
4 Commonwealth.

5           (iii) The individual has been employed in this  
6 Commonwealth for the period of time required by the  
7 program guidelines.

8           (iv) The individual is a graduate of an approved  
9 college or university or other institution specified in  
10 the program guidelines.

11           (v) The individual has incurred, or the individual's  
12 benefactors have incurred, student loan debt to finance  
13 the cost of education of the individual.

14           (vi) The student loan debt is currently in a state  
15 of repayment and required payments are being timely made.

16           (2) In addition to the criteria under paragraph (1), the  
17 program administrator, in consultation with the committee,  
18 may establish and utilize other criteria in the program  
19 guidelines to determine eligibility.

20           (c) Determination.--If the program administrator determines  
21 the individual to be an eligible applicant, the program  
22 administrator shall refer the eligible applicant to a provider.

23           (d) Purchase.--Using the underwriting criteria, a provider  
24 may enter into an income share agreement with an eligible  
25 applicant if the income share agreement meets the requirements  
26 of section 7305 (relating to terms and conditions) and the  
27 participant accepts the terms and conditions. Using money  
28 advanced under section 7306(b) (relating to line of credit) and  
29 in exchange for the income share agreement, the provider shall  
30 satisfy the portion of the student loan debt which was purchased

1 from the participant or the participant's benefactor under the  
2 income share agreement.

3 (e) Sale.--A provider shall aggregate and sell the income  
4 share agreements it enters into with participants or create,  
5 aggregate and sell the related securities composed of or  
6 resulting from the income share agreements the provider enters  
7 into with participants. Proceeds from the sale of the income  
8 share agreements or related securities shall be used to satisfy  
9 obligations in accordance with the following order:

10 (1) Pay transaction costs of the sale of the income  
11 share agreements or related securities.

12 (2) Pay administrative expenses of the program  
13 administrator.

14 (3) Pay administrative expenses of the provider.

15 (4) Repay advances made under section 7306.

16 (f) Servicing.--The program administrator shall service the  
17 income share agreements entered into under the program on behalf  
18 of providers and purchasers of income share agreements or  
19 related securities. Payments required under an income share  
20 agreement shall be collected by the program administrator and  
21 distributed in accordance with the terms of the sale of the  
22 income share agreements or related securities.

23 § 7305. Terms and conditions.

24 An income share agreement shall include the following terms  
25 and conditions:

26 (1) The amount of student loan debt to be repaid by the  
27 participant.

28 (2) The percentage of the income of the participant  
29 fixed as the share of the income due from the participant  
30 consistent with the program guidelines.

1           (3) The frequency of payments to be made by the  
2 participant under the income share agreement consistent with  
3 the program guidelines.

4           (4) The total number of payments the participant must  
5 make under the income share agreement and any cap on the  
6 total number of payments consistent with the program  
7 guidelines.

8           (5) The term that payments must be made by the  
9 participant under the income share agreement, not to exceed a  
10 number of years consistent with the program guidelines.

11           (6) The terms and conditions under which the participant  
12 may prepay, defer, extend or extinguish future payments under  
13 the income share agreement consistent with the program  
14 guidelines.

15           (7) The consumer protections established by the program  
16 guidelines.

17           (8) Other terms and conditions established by the  
18 program guidelines.

19 § 7306. Line of credit.

20           (a) Creation.--The treasurer shall make available a  
21 revolving line of credit to a provider and shall advance money  
22 reasonably required in the judgment of the program  
23 administrator, in consultation with the committee, to fund the  
24 acquisition of income share agreements from participants and to  
25 fund the administration and operation of the program. The line  
26 of credit authorized by this subsection shall be in addition to  
27 any line of credit advanced by the treasurer to the program  
28 administrator on the effective date of this subsection.

29           (b) Draws.--A provider may borrow, repay and borrow under  
30 the line of credit to purchase income share agreements under

1 section 7304(d) (relating to program administration).

2 (c) Additional draws.--The program administrator may  
3 periodically draw and borrow under the line of credit and repay  
4 and reborrow under the line of credit on a revolving basis as  
5 necessary for the administration and operation of the program.

6 (d) Source of money.--

7 (1) Except as provided in paragraph (3), amounts  
8 advanced by the treasurer under the line of credit shall be  
9 drawn by the treasurer from any fund the committee designates  
10 in consultation with the treasurer.

11 (2) Any draw under paragraph (1) shall be made first  
12 from uninvested dollars and then from investments with the  
13 lowest possible yield.

14 (3) No draws shall be made from the 529 College Savings  
15 Program.

16 (e) Interest.--Interest on amounts drawn on the line of  
17 credit shall be due from the date of the draw until repayment at  
18 the rate of interest, if any, at which the money was invested by  
19 the treasurer.

20 (f) Limitation.--Unless the committee authorizes an increase  
21 in accordance with subsection (g), the aggregate amount of draws  
22 outstanding under the line of credit shall not exceed  
23 \$110,000,000.

24 (g) Increase.--Notwithstanding subsection (f), the  
25 committee, in consultation with the program administrator, may  
26 increase the limitation on the aggregate amount of draws  
27 outstanding under the line of credit authorized by subsection  
28 (a).

29 § 7307. Student Loan Retirement Agreement Advisory Committee.

30 (a) Establishment.--The Student Loan Retirement Agreement

1 Advisory Committee is established.

2 (b) Powers and duties.--The committee shall oversee the  
3 program and shall assist the program administrator in developing  
4 program guidelines.

5 (c) Composition.--The committee shall be composed of the  
6 following individuals:

7 (1) The Governor, or a designee.

8 (2) The Secretary of the Budget.

9 (3) The Secretary of Education.

10 (4) Three residents of the Commonwealth appointed by the  
11 Governor.

12 (5) The treasurer.

13 (6) The following members of the General Assembly:

14 (i) One member of the Senate appointed by the  
15 President pro tempore.

16 (ii) One member of the Senate appointed by the  
17 Minority Leader of the Senate.

18 (iii) One member of the House of Representatives  
19 appointed by the Speaker of the House of Representatives.

20 (iv) One member of the House of Representatives  
21 appointed by the Minority Leader of the House of  
22 Representatives.

23 (v) The chairperson and minority chairperson of the  
24 Appropriations Committee of the Senate.

25 (vi) The chairperson and minority chairperson of the  
26 Appropriations Committee of the House of Representatives.

27 (d) Terms.--A committee member appointed under subsection  
28 (c) (4) shall serve at the pleasure of the Governor.

29 (e) Appointments.--Appointments to the committee shall be  
30 made not later than 60 days after the effective date of this

1 subsection.

2 (f) Meetings.--The committee shall meet for the first time  
3 not later than 120 days after the effective date of this  
4 subsection and at least biannually thereafter to review and  
5 update program guidelines as necessary.

6 (g) Operation.--The Governor shall be the chairperson of the  
7 committee. A majority of the members present shall constitute a  
8 quorum. A majority vote shall be necessary for the committee to  
9 take action.

10 (h) Compensation.--A committee member may not receive a  
11 salary, but shall be entitled to reimbursement of the member's  
12 expenses.

13 § 7308. Public awareness and education.

14 (a) Requirement.--The program shall include methods designed  
15 to raise general public awareness of and to educate students,  
16 graduates, colleges and universities and faculty about income  
17 share agreements and the program. Education shall include the  
18 structure, benefits and risks associated with income share  
19 agreements.

20 (b) Implementation.--The program administrator shall  
21 implement the education required under subsection (a) in the  
22 manner it deems appropriate, which may include:

23 (1) An outreach campaign utilizing print media, social  
24 media, brochures, advertisements, public service  
25 announcements and other similar channels.

26 (2) Distribution of program-related educational  
27 information:

28 (i) to colleges and universities; and

29 (ii) through college and university admission  
30 offices.

1           (3) Distribution of income share agreements and program-  
2 related information to organizations which supply admission  
3 and educational financing-related publications and services  
4 to colleges and universities.

5           (4) Inclusion of educational and awareness materials in  
6 newsletters and other media used by the program administrator  
7 in connection with general higher education financing and  
8 nonfinancing programs.

9           Section 2. This act shall take effect in 60 days.