



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

HB3370

by Rep. Elgie R. Sims, Jr.

SYNOPSIS AS INTRODUCED:

New Act
30 ILCS 105/5.878 new

Creates the Affordable College Financing Pilot Program Act. Requires the Illinois Student Assistance Commission to implement and administer a pilot program to provide loans to 400 eligible students to attend State universities. Requires the loans to be repaid beginning 6 months after the borrower leaves school, on a schedule that is based on the income of the borrower. Specifies calculations for the amount of the loan and terms for repayment. Requires the Commission to submit progress reports to the General Assembly. Provides that, in the progress report, the Commission shall track average cumulative debt and year-to-year student retention and track and report the progress of borrowers throughout the repayment period. Amends the State Finance Act. Creates the Affordable College Financing Pilot Program Fund as a special fund in the State treasury. Effective immediately.

LRB100 10966 MLM 21203 b

1 AN ACT concerning education.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Affordable College Financing Pilot Program Act.

6 Section 5. Findings. The General Assembly finds that many
7 students and families struggle to afford the costs of college
8 despite the programs available to assist them. Grant assistance
9 and federal student loans, while offering critical financial
10 support for students, are often insufficient to cover the full
11 cost of attendance, particularly at the university level. In
12 order to make State universities more accessible to Illinois
13 students and to temper the challenges associated with student
14 debt, the General Assembly hereby establishes a pilot,
15 income-based student loan program to finance costs of
16 attendance that are not funded by grants or federal student aid
17 and that exceed a family's ability to pay. The loan is intended
18 to be repaid on a schedule designed to be affordable for the
19 borrower, with payments based on the borrower's income.

20 Section 10. Definitions. In this Act:

21 "Borrower" means a person who has been awarded and accepts
22 a program loan under this Act.

1 "Cost of attendance" means the cost of attending a State
2 university.

3 "Commission" means the Illinois Student Assistance
4 Commission.

5 "Eligible student" means a person who is a resident of this
6 State and has been accepted to or is enrolled in a State
7 university and who has remaining need, as defined in this
8 Section.

9 "Expected family contribution" is the federally determined
10 share of family income that can be expected to be used for
11 college.

12 "Fund" means the Affordable College Financing Pilot
13 Program Fund.

14 "Program" means the pilot program established under this
15 Act.

16 "Program loan" means a loan awarded by the Commission to an
17 eligible student under the program.

18 "Remaining need" is defined as the part of the cost of
19 attendance not covered by the expected family contribution,
20 grants, or federal Stafford loans.

21 Section 15. Pilot program.

22 (a) Subject to the appropriation of funds for this purpose,
23 the Commission shall implement and administer a pilot program
24 to provide loans to 400 eligible students under this Act. The
25 Commission shall conduct a lottery to determine which qualified

1 applicants are to be awarded program loans in accordance with
2 this Act. The lottery will be based on a stratified random
3 sample to ensure equal participation by students in each of the
4 4 lower-income quintiles that are based on Illinois income data
5 reported annually by the U.S. Census Bureau. Once a student has
6 gained entry into the program, the loans will be available
7 annually, as needed, for 4 years. These program loans are to be
8 repaid, beginning 6 months after the borrower leaves school, on
9 a schedule that is based on the income of the borrower.

10 (b) The Affordable College Financing Pilot Program Fund is
11 created as a special fund in the State treasury. All money in
12 the Fund shall be used, subject to appropriation, by the
13 Commission for awarding program loans and administering the
14 program under this Act. The Fund shall consist of the repayment
15 of program loans, interest earned on the moneys in the Fund,
16 and other funds appropriated or made available to the Fund.

17 (c) An eligible student must complete the Free Application
18 for Federal Student Aid in order to apply for a program loan.
19 The Commission may additionally develop and require a separate
20 application for a program loan. The program loan application
21 shall be in such form as required by the Commission and shall
22 include such information as required by the Commission. The
23 Commission shall review the application and, if satisfied that
24 the applicant is an eligible student and is not ineligible for
25 loan assistance under subsections (a) and (b) of Section 35 of
26 the Higher Education Student Assistance Act, shall award a

1 program loan to the applicant if selected by lottery. Loans may
2 be issued only from available funds.

3 (d) The amount of a program loan shall be sufficient to
4 cover the student's remaining need, as defined in Section 10.

5 (e) The Commission may not charge interest on a program
6 loan, but may charge a default insurance premium as provided in
7 subsection (f) of this Section.

8 (f) By accepting a program loan, an eligible student shall
9 agree to repay the amount of the program loan, plus a default
10 insurance premium amount to be determined by the Commission,
11 subject to the following:

12 (1) Repayment shall commence not later than 6 months
13 after the eligible student leaves the State university. The
14 Commission may establish rules for deferment and
15 forbearance consistent with federal guidelines.

16 (2) The monthly amount required to be repaid shall be
17 based on a repayment schedule that the Commission shall by
18 rule develop and shall be based on a percentage of the
19 borrower's adjusted gross income.

20 (3) Monthly payments shall continue until the borrower
21 has fully paid the amount of the program loan and the
22 default insurance premium amount.

23 (g) To administer the program, the Commission may exercise
24 the same powers of collection as otherwise authorized by law.

25 (h) The Commission shall forgive the repayment of a program
26 loan if the borrower dies or becomes disabled.

1 (i) The Commission may establish and administer, or
2 contract with a third party to do so, a default insurance plan
3 for program loans in which eligible students have defaulted on
4 repayment of their program loans.

5 Section 20. Progress reports. The Commission shall submit
6 a progress report to the General Assembly 2 years after
7 implementation of the program and 4 years after implementation
8 of the program. The report shall describe the financial
9 stability of the Fund and student success metrics utilized,
10 both for initial loan awards and loan continuances within the
11 program. The Commission shall track average cumulative debt and
12 year-to-year student retention, and compare these numbers to a
13 control group of similar students not participating in the
14 program. The Commission shall also track and report the
15 progress of borrowers throughout the repayment period.

16 Section 90. Rules. The Commission may adopt any rules
17 necessary to carry out its responsibilities under this Act.

18 Section 95. The State Finance Act is amended by adding
19 Section 5.878 as follows:

20 (30 ILCS 105/5.878 new)

21 Sec. 5.878. The Affordable College Financing Pilot Program
22 Fund.

1 Section 99. Effective date. This Act takes effect upon
2 becoming law.