



**Vermont Student Assistance Corporation**

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Memorandum

To: Senator Ann Cummings, Chair, Senate Education Committee  
From: Thomas A. Little, VSAC General Counsel *TAL*  
Date: March 23, 2015  
Re: J.R.S. 20

J.R.S. 20 thanks Vermont's Congressional delegation for their efforts to assist VSAC is securing a favorable policy change from the U.S. Treasury, the IRS and/or Congress, and urges them to continue their efforts. The underlying issue concerns VSAC's access to lower cost tax exempt bonds to finance education loans for Vermont students, nonresident students, and their parents for attending school in Vermont. Here are the "Whereas" clauses from the Resolution:

*Whereas*, for over 30 years, the costs of attending college have risen beyond the rate of inflation, making access to postsecondary education less affordable for Vermonters and forcing more students and their parents to take on significant debt to finance a college education, and

*Whereas*, the Vermont Student Assistance Corporation (VSAC) has developed a nonfederal loan program known as the Advantage Loan, using tax-exempt bonds that VSAC issues to help students and parents find more affordable higher education loans and to refinance previously issued higher education loans, and

*Whereas*, an ambiguity in the Internal Revenue Code has created uncertainty as to whether VSAC may use tax-exempt bonds to achieve lower rates for both types of higher education loans, and

*Whereas*, the Vermont Congressional Delegation has collaborated with VSAC to develop strategies to resolve this legal ambiguity, and

*Whereas*, resolving this legal ambiguity could be accomplished with appropriate clarifying actions from the Internal Revenue Service, the U.S. Secretary of the Treasury, or Congress

Thus, the issues are (i) whether educational loans made to parents to pay for their children's postsecondary education are financeable using lower cost tax-exempt bonds under Section 144(b)(1)(B) of the Internal Revenue Code in cases where the child (i.e., the student) is not also an obligor on the loan, and (ii) whether education loans made to students or parents may be refinanced using tax-exempt bonds under that same section of the Code. Access to tax exempt bonds for these loans would enable VSAC to provide lower-cost loans and more flexibility for students and parents in making choices about how to borrow for college.

Here are the “Resolved” clauses from the Resolution:

***Resolved by the Senate and House of Representatives:***

That the General Assembly expresses its appreciation and thanks to the Vermont Congressional Delegation for its collaborative effort with VSAC to lower the costs of higher education loans for Vermonters, *and be it further*

***Resolved:*** That the General Assembly urges the Vermont Congressional Delegation to continue to work diligently with the Internal Revenue Service, the U.S. Secretary of the Treasury, and both houses of Congress to take whatever appropriate measures are needed to enable VSAC to use tax-exempt bonds to make new, and to refinance existing, higher education loans, *and be it further*

***Resolved:*** That the Secretary of State be directed to send a copy of this resolution to the VSAC and the Vermont Congressional Delegation.

VSAC believes that passing J.R.S. 20 would send a clear and strong signal to not only our delegation (which has been extraordinarily helpful), but also to the U.S. Treasury, the IRS and Congress at large. We appreciate the Committee’s interest in the Resolution and hope that the Committee can support passage. VSAC has some suggested, very minor edits, which we will share with Legislative Counsel.

VSAC is available to answer questions and provide additional background information.

**J.R.S. 20.**

Joint resolution relating to the Vermont Student Assistance Corporation's lending authority.

*Whereas*, for over 30 years, the costs of attending college have risen beyond the rate of inflation, making access to postsecondary education less affordable for Vermonters and forcing more students and their parents to take on significant debt to finance a college education, and

*Whereas*, the Vermont Student Assistance Corporation (VSAC) has developed a nonfederal loan program known as the Advantage Loan, using tax-exempt bonds that VSAC issues to help students and parents find more affordable higher education loans and to refinance previously issued higher education loans, and

*Whereas*, an ambiguity in the Internal Revenue Code has created uncertainty as to whether VSAC may use tax-exempt bonds to achieve lower rates for both types of higher education loans, and

*Whereas*, the Vermont Congressional Delegation has collaborated with VSAC to develop strategies to resolve this legal ambiguity, and

*Whereas*, resolving this legal ambiguity could be accomplished with appropriate clarifying actions from the Internal Revenue Service, the U.S. Secretary of the Treasury, or Congress, *now therefore be it*

***Resolved by the Senate and House of Representatives:***

That the General Assembly expresses its appreciation and thanks to the Vermont Congressional Delegation for its collaborative effort with VSAC to lower the costs of higher education loans for Vermonters, *and be it further*

***Resolved:*** That the General Assembly urges the Vermont Congressional Delegation to continue to work diligently with the Internal Revenue Service, the U.S. Secretary of the Treasury, and both houses of Congress to take whatever appropriate measures are needed to enable VSAC to use tax-exempt bonds to make new, and to refinance existing, higher education loans, *and be it further*

***Resolved:*** That the Secretary of State be directed to send a copy of this resolution to the VSAC and the Vermont Congressional Delegation.