

ALASKA STATE LEGISLATURE



REPRESENTATIVE LES GARA

February 20, 2012

Representative Alan Dick
Alaska House of Representatives
State Capitol, Room 104
Juneau, Alaska 99801

Executive Director Diane Barrans
Alaska Commission on Postsecondary Education
3030 Vintage Blvd.
Juneau, Alaska 99801

Dear Representative Dick and Ms. Barrans:

Thank you for your letter expressing concerns and issues relative to SSHB 272, an Act providing for a reduction in interest on post-secondary education loans for residents. A Sponsor Substitute has been filed and is attached to this letter. I will also clarify your concerns here.

Regarding residency: A borrower must be an Alaska resident for one year before qualifying for the in-state 3% loan rate reduction, and declare Alaska as his or her residence per the legal rules for residency. A borrower who goes to school out of state and returns to Alaska must be an Alaska resident for the year prior to leaving Alaska to attend school. A borrower who leaves Alaska after completion of the degree or certificate program for which the loan was issued and does not return within two years will not qualify for the discount.

Regarding completion: The intent of the bill is that the discount will apply only to those borrowers who complete their coursework in the time required under existing ASLC regulation. ASLC will determine the time in which the coursework must be completed.

Regarding default: A borrower is ineligible for the discount during periods of default.

Regarding garnishment: Garnishment of funds by third parties would not eliminate a borrower's eligibility for a discount under this bill.

Regarding moving in and out of Alaska: A borrower who maintains residency when he or she leaves the state still qualifies for the discount unless he or she leaves Alaska for more than one year.

Regarding "Prorated": A borrower who goes to school out of state and returns after completion of the degree or certificate program for which the loan was issued is entitled to the 3% reduction,

plus repayment of the prior higher interest rate accrual, while he or she is out of the state. Upon returning to Alaska, he or she shall receive a retroactive reimbursement for that higher rate, paid equally over the course of five years. The purpose is to encourage borrowers to return to Alaska, with full repayment of the higher interest rate that was accruing for the period while they were gone as an incentive.

Regarding students who remain in Alaska for school: Borrowers are entitled to the 3% reduction for the full period of their coursework, and while they remain in Alaska after timely completion of their coursework.

ALSC financial viability: Funding from general funds will be necessary to the extent the Director of ALSC determines it cannot cover the cost of this program, and/or determines the shortfall will negatively impact the commission's financial ratings or ability to make loans.

Thank you, and please let me know if you have additional questions.

A handwritten signature in black ink, appearing to read "Les Gara", with a long horizontal flourish extending to the right.

Rep. Les Gara