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Luckhaupt/Mischel
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CS FOR 2d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 272()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

**Sponsor(s): REPRESENTATIVES GARA, GUTTENBERG, GARDNER, KERTTULA, HOLMES, TUCK,
KAWASAKI, PETERSEN, GRUENBERG, AND CISSNA, Miller**

A BILL

FOR AN ACT ENTITLED

1 **"An Act providing for a reduction of the principal of postsecondary education loans for**
2 **residents."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1.** AS 14.43 is amended by adding a new section to read:

5 **Sec. 14.43.123. Reduction of loan principal for residents. (a)**

6 Notwithstanding a contrary provision of law, the commission shall provide for a
7 reduction of three percent a year of the principal amount of a loan issued under
8 AS 14.43.091 - 14.43.160, 14.43.161 - 14.43.168, or 14.43.170 - 14.43.175 at the end
9 of each calendar year if

10 (1) the borrower establishes and maintains residency for one year
11 before obtaining the loan;

12 (2) the borrower maintains residency in the state while repaying the
13 loan;

14 (3) the loan for which the reduction of the principal is allowed is not in

1 default;

2 (4) the principal of the loan is not otherwise eligible to be fully repaid
3 or forgiven by the state under another program; and

4 (5) the borrower completed in a timely manner the degree or certificate
5 program for which the loan was issued.

6 (b) The reduction of principal under (a) of this section is subject to
7 appropriation by the legislature to the commission of the amount necessary to offset
8 the amount of reduced principal provided to borrowers. The commission shall, by
9 regulation, establish an equitable system for reducing or prorating principal reductions
10 among borrowers if the amount appropriated is insufficient to offset the full amount of
11 principal reductions.

12 (c) A reduction of the principal of the loan provided under this section is in
13 addition to any other available reduction of the principal of the loan or interest rate.

14 (d) A person who is issued a reduction of the principal of a loan under this
15 section in error shall repay the amount of the reduction, plus interest.

16 (e) The commission may adopt regulations necessary to implement this
17 section, including regulations for partial reductions in principal during the year when a
18 borrower returns to the state after completing the degree or program under (a)(5) of
19 this section. The regulations must include a description of timely completion of
20 postsecondary education programs.

21 (f) In this section, "resident" or "residency" means living in the state with the
22 intention of remaining permanently without claiming residency in another state or
23 country.

24 * **Sec. 2.** AS 14.43.171 is amended to read:

25 **Sec. 14.43.171. Applicability of other laws.** The provisions of
26 AS 14.43.120(d)(4), 14.43.122, 14.43.123, 14.43.135, 14.43.140, 14.43.145 -
27 14.43.160, 14.43.164, 14.43.166, and 14.43.168 apply to the loans made under
28 AS 14.43.170 - 14.43.175 as if the loans were made under those applicable provisions.