LEGAL SERVICES

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MEMORANDUM March 3, 2012

SUBJECT: Loan Principal Reductions -- CS2dSSHB 272( )
(Work Order No. 27-LS1162\R)

TO: Representative Les Gara
Attn: Toby Smith

FROM: Gerald P. Luckhaupt
Assistant Revisor

You have asked if a degree or certificate program must be completed before a loan principal reduction can be obtained by a borrower under proposed AS 14.43.123. The answer is yes. AS 14.43.123(a) provides that

> the commission shall provide for a reduction of three percent a year of the principal amount of a loan issued under AS 14.43.091 - 14.43.160, 14.43.161 - 14.43.168, or 14.43.170 - 14.43.175 at the end of each calendar year if
>
> (1) the borrower establishes and maintains residency for one year before obtaining the loan;
>
> (2) the borrower maintains residency in the state while repaying the loan;
>
> (3) the loan for which the reduction of the principal is allowed is not in default;
>
> (4) the principal of the loan is not otherwise eligible to be fully repaid or forgiven by the state under another program; **and**
>
> (5) **the borrower completed in a timely manner the degree or certificate program for which the loan was issued**.

The completion of the degree or program is a prerequisite to obtaining a loan principal reduction along with requirements listed in (a)(1) - (4). It appears to me that the first loan principal reduction could not occur for a calendar year until the borrower graduates or completes the program and is repaying the loan while a resident of Alaska.

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Enclosure