



**March 23, 2022**

**Senate Finance Committee Hearing – SB 94**

*Follow-up on Committee Member Comments*

Prepared by Alaska Commission on Postsecondary Education (ACPE) Staff

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**Provide approval rates of loan applicants and the split/percentage between rural and urban borrowers.**

See the Loan Attainability chart below for loan approval rates. See the attached document titled “ASLC – Geographic Location of Loan Borrowers.”

**Loan Attainability  
2019**

	Other Private Loans	Alaska State Loans
Denied Applications	84%	33%
Approved Applications	16%	67%
FICO Score	739 (AVG)	730 (AVG)   650 (MIN)
Fixed Interest Rate	10.20% (AVG)	*5.39% - 7.93%

\*This rate requires participation in the Alaska Commission on Postsecondary Education’s (ACPE’s) Auto-Pay Discount Program

**Provide the ethnic make-up of the student borrower population.**

Since ethnicity is not a consideration for loan approval, the Alaska Commission on Postsecondary Education (ACPE) does not collect this information in our database.

**Provide a list of Commission members. Are there any rural members?**

[AS 14.42.015](#) Creation, composition, appointment of members. This statute outlines the membership makeup of the Commission.

- (a) There is in the Department of Education and Early Development the Alaska Commission on Postsecondary Education consisting of
- (1) two members of the Board of Regents of the University of Alaska designated by the members of that body;
  - (2) one person representing private nonprofit higher education in the state appointed by the governor;
  - (3) one person representing the Department of Education and Early Development selected by the

- state Board of Education and Early Development;
- (4) four persons broadly and equitably representative of the general public appointed by the governor;
  - (5) one member of the Alaska Workforce Investment Board established by [AS 23.15.550](#) designated by the members of that body;
  - (6) one person from the members of the local community college advisory councils appointed by the governor;
  - (7) two members from the legislature, one of whom shall be appointed by the president of the senate and one by the speaker of the house of representatives;
  - (8) one person appointed in accordance with (e) of this section who is a full-time student as defined in [AS 14.43.160](#); and
  - (9) one administrator appointed by the governor from a proprietary institution of postsecondary education that has an authorization to operate in the state issued under [AS 14.48](#).

#### Current Membership of the Commission

Name	Organization/Seat	Home Location
Joshua Bicchinella, Chair	Proprietary Education	Wasilla
Lisa Parker, Vice Chair	Board of Regents	Soldotna
Dr. Barbara Adams	General Public	Nenana
John Brown	General Public	Wasilla
Senator Mia Costello	State Senate	Anchorage
Karla Head	Community Colleges	Kotzebue
Rodolfo Garcia	Student Representative	Fairbanks
Lindsay Hallam	Private Higher Education	Kenai
Dr. Keith Hamilton	State Board of Education	Soldotna
Donald Handeland	General Public	Eagle River
Darroll Hargraves	Board of Regents	Wasilla
Trish Zugg	Workforce Investment Board	Palmer
Vacant	General Public	
Representative Andi Story	State House of Representatives	Juneau

#### **Provide refinance default rates for expanded out-of-state borrowers.**

See attachment titled “2020 Cohort Default Rates Report.” Please note highlighted default rate for ACPE Refinance Loan program. Also attached is a document titled “Direct Loan Default Rate” that includes a graph showing the comparison of Student Loan Cohort Default Rates.

The Alaska Refinance Program is relatively young and has a very low default rate currently. Since any new refinance loans would be issued under the same strict credit criteria, ACPE would expect a similar low default rate.

#### **Clarify who would be a beneficiary. Explain how that is different from a borrower.**

A borrower is the individual who signed the promissory note for the loan and is responsible for repayment. A beneficiary is the individual who benefits from the loan. A student can take out a loan under his or her own name and would be both the borrower and the beneficiary or a parent or other family member could take out a loan on behalf of the student. In this case, the student would be the beneficiary, and the parent (or other family member) would be the borrower.

**Concerns were expressed regarding the Corporation Board setting loan limits. Additional information was requested on how the process would work.**

The Alaska Student Loan Corporation Board provides fiduciary oversight of the Student Loan Corporation reviewing annual financial audits, approving investment policy, and setting loan program interest rates. The process for setting loan limits would include staff review of current tuition rates, contacting Financial Aid Officers to determine the average unmet need of students, and providing a conservative recommendation for annual loan limits. The Corporation would consider the staff recommendation in one of their quarterly public meetings to ensure public input. This process would provide the Corporation Board with details to make an informed decision on the appropriate loan limits and the ability to review the loan limits annually to make any necessary adjustments.

**Requested a table so that the committee could compare interest rates with private sector or other competitors.**

See the table provided below on comparison of Private Student Loan Data Points including ACPE.

**Private Student Loan Data Points**

Provider	In-School Fixed Rate	Refi Fixed Rate (1)
Citizens	3.23% - 11.70%	1.03% - 11.01%
College Ave	2.994% - 12.99%	2.99% - 4.89%
Education Loan Finance	3.20% - 11.99%	2.47% - 5.99%
Navient/Ernest	3.19% - 13.03%	2.44% - 5.79%
SoFi	2.99% - 10.66%	2.49% - 6.94%
ACPE*	5.03% - 7.93%	3.55% - 5.00%

(1) Includes Automated Clearing House (ACH)

Data from Student Loan Hero website.

**Sallie Mae - Distribution of Loan Rates in 2021 Securitizations**

Loan Rate Range	% of Portfolio
>10.00%	39.50%
9-9.99%	19.10%
8-8.99%	18.90%
7-7.99%	6.40%
6-6.99%	5.70%
5-5.99%	4.80%
<5.00%	5.60%
	100.00%

\*ACPE loans do not have origination or other fees which most other loan providers include. In addition, as shown in the Sallie Mae distribution data above, a very small percentage of borrowers receive a loan rate below 5% from other private lenders.

**Explain the early repayment option.**

Currently, borrowers who take out in-school student loans are not required to begin paying back the loan until six months after they have graduated, or they are no longer attending school. Borrowers can make payments on their loans at any time. However, the early repayment option would allow ACPE to include early repayment of an in-school loan in the loan promissory note. This would then require early repayment. Multiple studies show that students who begin payments immediately take responsibility for their debt, reduce what they owe over the life of the loan, build positive credit scores sooner, and have much lower delinquency and default rates.

Lower delinquency and default rates benefit both borrowers and the Alaska Student Loan Corporation (ASLC) (lower default costs) and over time can improve ASLC credit ratings and costs of borrowed funds.

**Requested more information on the loan portfolio.**

See attached documents titled “ACPE – Loan Portfolio” and “2021 ASLC Financial Statements.”

**Requested more information about defaults/rewrites and asked if refinancing was a way to reduce default?**

The Alaska Refinance Loan offers many advantages for Alaska residents. Through refinancing, Alaskans can save money by consolidating their loans into one monthly payment at a lower interest rate. The credit requirements to be eligible for a refinance loan provide a low-risk body of loans, which help to support in-school loans for current Alaska students. Due to the fact that all underlying loans must be current in repayment to be eligible for refinancing, the refinance loan program is not viewed as a way for borrowers to avoid default. However, ACPE has various repayment options available to delinquent borrowers to assist them during financial difficulties, including a loan term extension and a defaulted loan modification program. ACPE also has a default management team in place whose primary objective is to develop and implement strategies to reduce ACPE’s default rates and help borrowers manage their loan debt.

**Are student loans being limited by what the borrower can qualify for or does what the borrower is asking for meet the borrowers need?**

Student loans are limited by the current annual and aggregate maximums set for each loan program in statute. If the borrower qualifies for the loan, the borrower is eligible for up to the annual maximum, not to exceed either the aggregate maximum or the need determined by the school’s financial aid office. The current annual and aggregate loan maximums are not currently meeting students’ need.

**Can a student borrow a large amount, example \$10,000, we send it to the educational institution, and then the institution refunds the money to the student?**

Any education loan funds sent from ACPE to an institution are not to exceed a student’s determined unmet cost of attendance. School financial aid offices use their internal processes to determine a student’s cost of attendance including tuition, fees, room and board, supplies, etc. The cost of attendance may include some costs that are not paid directly to the school such as transportation or off-campus housing and funds may be passed on to the student in order to cover these costs. Any funds that are sent to the school in excess of the student’s unmet cost of attendance are to be refunded directly to ACPE and not the student.