



**May 16, 2022**

**Senate Finance Committee May 15, 2022 Hearing – HB 114**

Follow-up on Committee Member Comments

Prepared by ACPE Staff

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**How does the Alaska Commission on Postsecondary Education (ACPE) evaluate the ability to pay back a loan?**

See response below and attached relevant statutes and regulations.

Borrower and cosigner's (if applicable) credit history will be reviewed to ensure minimum credit requirements are met. In order to be conditionally approved for an Alaska Supplemental Loan, the borrower and cosigner (if applicable) must meet all of the following credit requirements. A conditional approval means the application has met ACPE's minimum credit requirements, but the borrower, originator, and school must complete additional steps before the application can be fully approved for the loan proceeds to be disbursed.

- Must have a credit history that demonstrates good credit. An applicant will be considered to have good credit if they have a Fair Isaac Corporation (FICO) credit score that is equal to or higher than the FICO score set by the Alaska Student Loan Corporation (ASLC), or meets other FICO score related credit criteria set by the Corporation. An applicant must have a FICO score of at least 650. In addition, the borrower and cosigner (if applicable) must have an absence of adverse credit (no derogatory information);
- Must not be delinquent in payment on a loan previously awarded by the commission;
- Must not be in default on any federal or state education loan awarded by the commission;
- Has not, within the previous five years, had a loan discharged or written off by the commission for any reason;
- Has not within the previous five years, defaulted on another loan made to the borrower by a lending entity unless the borrower can show good faith efforts to repay the loan and extraordinary circumstances that led to the default. A person has defaulted on a loan if any of the following has occurred:
  1. Foreclosure upon or repossession of collateral for a loan or installment contract;
  2. Execution procedures initiated on an unpaid loan or installment contract;
  3. Entry of judgment accelerating the amount due under a loan or installment contract; or

4. The discharge by a creditor of a debt or installment contract due to nonpayment on a balance greater than \$250
- If an applicant's credit history, learned through a credit check or otherwise, shows any of the following within the preceding two years, the applicant for a loan may only obtain the loan with a cosigner who meets the credit requirements.
    1. Eviction from rental or leased housing based on non-payment;
    2. Two or more credit accounts for which payments are currently three months or more past due;
    3. Checks returned for insufficient funds on three or more occasions;
    4. Lien for delinquent taxes that are not satisfied within 24 months, unless disputed and dispute pending;
    5. Two or more references of an account to a credit collection agency; or
    6. An unsatisfactory credit score set by the corporation