

FREE CONFERENCE COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 123

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE FREE CONFERENCE COMMITTEE

Offered: 2/21/96

Sponsor(s): SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to student loan programs and fees for review of postsecondary
2 education institutions; relating to a postsecondary student exchange program
3 administered by the Western Interstate Commission on Higher Education; and
4 providing for an effective date."

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

6 * **Section 1.** AS 14.43.110 is repealed and reenacted to read:

7 Sec. 14.43.110. STUDENT LOANS. (a) In a school year, the commission may
8 make a loan not to exceed

9 (1) \$8,500 to a full-time undergraduate student or \$5,000 to a half-time
10 undergraduate student attending a college or university if the full- or half-time student
11 is otherwise eligible under AS 14.43.125;

12 (2) \$9,500 to a full-time graduate student or \$4,500 to a half-time
13 graduate student attending a college or university if the full- or half-time graduate student
14 is otherwise eligible under AS 14.43.125;

(3) \$5,500 to a full-time student or \$2,000 to a half-time student if the full- or half-time student is attending a career education program that is at least six weeks in length and is otherwise eligible under AS 14.43.125.

(b) The commission may make a loan for a summer term, even if the total loan for the school year exceeds the limit imposed under (a) of this section if the loan for the summer term is counted against the limit imposed under (a) of this section for the following school year.

(c) The commission shall adopt regulations establishing a minimum amount for which a loan may be made.

* **Sec. 2.** AS 14.43.120(a) is amended to read:

(a) Proceeds from a scholarship loan to a full-time student may only be used for books, tuition and required fees, loan **origination** [GUARANTEE] fees, and room and board. Proceeds from a scholarship loan to a half-time student may only be used for books, tuition and required fees, and loan **origination** [GUARANTEE] fees.

* **Sec. 3.** AS 14.43.120(b) is amended to read:

(b) Scholarship loans may only be used to attend a

(1) career education program **operating on a sound fiscal basis** that has

(A) operated [APPROVED BY THE COMMISSION BEFORE
JULY 1, 1986;

(B) OPERATING] for two years before the borrower attends; **and**

(B) submitted an executed program participation agreement

by the commission; [OR

(C) OPERATING

BORROWER ATTENDS AND THE COMMISSION DETERMINES THE
PROGRAM IS OPERATING ON A FISCALLY SOUND BASIS;] or

(2) a college or university that

(A) has operated [BEEN APPROVED BY THE COMMISSION
Y 1, 1986, OR HAS BEEN OPERATING] for at least two years
rower attends;

(B) is accredited by a national or regional accreditation association recognized by the Council on Postsecondary Accreditation or is

approved by the commission; [AND]

(C) if the loans are federally insured, is approved by the United States Secretary of Education;

(D) is a degree granting institution; and

(E) has submitted an executed program participation agreement as required by the commission.

* **Sec. 4.** AS 14.43.120(d) is amended to read:

(d) Scholarship loans may not be made to a student

(1) for more than a total of \$42,500 for [FIVE YEARS OF] study;

(2) for more than **a total of \$47,500 for** [FIVE YEARS OF] graduate study;

(3) for more than a combined total of **\$60,000 for** [EIGHT YEARS OF] undergraduate and graduate study;

(4) to attend an institution, [OTHER THAN A NONPROFIT INSTITUTION,] if the total amount of scholarship loans made to students to attend that institution exceeds \$100,000 and the default rate on those loans is (A) greater than 20 percent but less than 25 percent, and the institution is unable to reduce its default rate within 24 months after the rate determination; or (B) equal to or greater than 25 percent for two consecutive calendar years; for purposes of this paragraph, the default rate shall annually be determined by the commission from loans required to be repaid under (g) of this section on or after July 1, 1996; if a scholarship loan is refused based on the provisions of this paragraph and, under a subsequent default rate determination, an institution's default rate does not exceed the limits established under this paragraph, the commission may not refuse to issue a scholarship loan to attend that institution based on the provisions of this paragraph [EXCEEDS THE PROGRAM DEFAULT RATE BY MORE THAN 150 PERCENT AS DEFINED BY REGULATION].

* **Sec. 5.** AS 14.43.120(e) is repealed and reenacted to read:

(e) Interest on a scholarship loan accrues from the time the loan is disbursed; however, the state shall pay the interest while the borrower continues to be enrolled under (c) of this section.

* **Sec. 6.** AS 14.43.120(g) is amended to read:

(g) **A borrower's obligation to commence repayment** [REPAYMENT] of the principal and interest on the loan begins **six months** [NOT LATER THAN ONE YEAR] after the **borrower is no longer enrolled under (c) of this section. The borrower shall repay** [BORROWER'S STUDIES ARE TERMINATED. THE LOAN SHALL PROVIDE FOR REPAYMENT OF] the total amount owed in periodic installments **of at least \$50 a month over a period of** [IN] not more than **15** [10] years from the commencement of **the** repayment **obligation** [IF THE LOAN IS TO A FULL-TIME STUDENT, OR IN NOT MORE THAN FIVE YEARS FROM THE COMMENCEMENT OF REPAYMENT IF THE LOAN IS TO A HALF-TIME STUDENT, EXCEPT AS PROVIDED IN (k) AND (m) OF THIS SECTION]. If the commission and the borrower agree to a different repayment schedule, the borrower shall repay the loan in accordance with the agreement. A borrower may make payments earlier than required by this subsection **or the agreement.**

* **Sec. 7.** AS 14.43.120(h) is amended to read:

(h) Security may not be required for a loan; however, a loan origination [GUARANTEE] fee, as specified in (u) of this section, shall be deducted [CHARGED] at the time that the loan is disbursed [AWARDED]. Additionally, the borrower shall pay [PROVISION SHALL BE MADE FOR PAYMENT OF] all fees and costs incurred in collection [OF THE AMOUNT OWED] on the loan if it becomes delinquent or in default.

* **Sec. 8.** AS 14.43.120(i) is amended to read:

(i) If a loan is in default, the commission

(1) shall notify the borrower that, if the borrower has an occupational license issued under AS 08, the license may not be renewed under AS 08.02.025 and that repayment of the remaining balance is accelerated and due by mailing [SENDING] the borrower a notice **at the most recent address provided to the commission by the borrower** [BY REGISTERED OR CERTIFIED MAIL]:

(2) may take the borrower's permanent fund dividend under AS 43.23.065(b)(3) to satisfy the balance due on a [THE] defaulted loan; and

(3) shall provide notice of the default to the Department of Commerce and Economic Development, if the loan recipient is licensed under AS 08.

* **Sec. 9.** AS 14.43.120(k) is amended to read:

(k) A borrower's obligation to make periodic payments [PERIODIC INSTALLMENTS] of principal shall be deferred, but the borrower's obligation to pay interest shall continue unless the state pays the interest by appropriation under (t) [ACCRUE AND BE PAID UNLESS THE BORROWER IS ELIGIBLE FOR INTEREST PAYMENT BENEFITS UNDER (l)] of this section, during any of the following periods:

(1) [IF THE BORROWER RECEIVED A LOAN TO ATTEND AS A FULL-TIME STUDENT,] return to full-time student status in good standing in a career education program, college, or university that meets the requirements under (b) of this section;

(2) if the borrower received a loan to attend as a half-time student, return to at least half-time student status in good standing in

(A) a career education program, college, or university in the state that meets the requirements under (b) of this section, or

(B) a career education program, college, or university that meets the requirements under (b) of this section, and the borrower is physically present in the state while attending the career education program, college, or university; a borrower is not eligible for deferral under this paragraph for a period longer than eight years;

(3) serving an initial period of up to three [SIX] years on active duty as a member of the armed forces of the United States;

(4) serving, for up to three years, as a full-time volunteer under the Peace Corps Act;

(5) serving, for up to three years, as a full-time volunteer under the Domestic Volunteer Service Act of 1973;

(6) serving, for up to two years, as a full-time volunteer under the National and Community Service Trust Act of 1993 (Americorps);

(7) [(6)] for a one-time period up to 12 months in which the borrower is seeking and unable to find employment in the United States; or

(8) [(7)] during the period of disability if, **after the loan is disbursed,**

competent medical authority.

* **Sec. 10.** AS 14.43.120(l) is amended to read:

(I) The state shall pay the interest on that portion of a loan that is not federally insured during

(1) the period while [IN WHICH] the borrower continues to be enrolled under (a) of this section [IS A FULL TIME OR HALF TIME STUDENT]; and

(2) deferments under (k) of this section

* Sec. 11. AS 14.43.120(m) is amended to read:

(m) In case of hardship, the commission may extend repayment of a loan for an additional period of up to five years [IN INCREMENTS NO LONGER THAN 12 MONTHS EACH].

* **Sec. 12.** AS 14.43.120(q) is amended to read:

(q) For the purposes of this section, a loan is in default if a loan payment is 180 [120] or more days past due.

* **Sec. 13.** AS 14.43.120(t) is amended to read:

(t) **Payment of interest under (l) of this section and forgiveness**
[FORGIVENESS] under (s) of this section are [IS] subject to appropriation by the legislature. Money obtained from the sale of bonds by the Student Loan Corporation under AS 14.42.220 may not be appropriated for the **payment of interest or the** forgiveness of loans.

* **Sec. 14.** AS 14.43.120(u) is amended to read:

(u) The commission by regulation shall set a [A] loan origination [GUARANTEE] fee, not to exceed five [OF ONE] percent of the total scholarship loan amount, to [SHALL] be assessed upon a scholarship loan that is funded from the student loan fund of the Alaska Student Loan Corporation. The loan origination [GUARANTEE] fee shall be deducted at the time [ADDED AS A FINANCE CHARGE TO] the [TOTAL] loan is disbursed [AMOUNT AWARDED, NOTWITHSTANDING THE LOAN LIMITS SET OUT AT AS 14.43.110 AND 14.43.115]. Subject to appropriation, the loan origination [GUARANTEE] fees shall be deposited into an origination [A GUARANTEE] fee account within the student loan fund of the Alaska Student Loan Corporation, and subsequently used [TRANSFERRED] by the corporation [COMMISSION TO LOAN ACCOUNTS WITHIN THE STUDENT

1 LOAN FUND] to offset losses incurred [DUE TO STUDENT LOAN DEBT
2 CANCELLATION] as a result of death, disability, default, or bankruptcy of the
3 borrower [STUDENT].

4 * **Sec. 15.** AS 14.43.125(a) is amended to read:

5 (a) A person may apply for and obtain a scholarship loan if the person

6 (1) is

7 (A) enrolled as a full-time student in a career education, associate,
8 baccalaureate, or graduate degree program;

9 (B) enrolled as a half-time student in a career education,
10 associate, baccalaureate, or graduate degree program [IN]

11 (i) in the state; or

12 (ii) out of the state [A CAREER EDUCATION,
13 ASSOCIATE, BACCALAUREATE, OR GRADUATE DEGREE
14 PROGRAM] and is physically present in this [THE] state while attending
15 that [THE CAREER EDUCATION, ASSOCIATE, BACCALAUREATE,
16 OR GRADUATE DEGREE] program; or

17 (C) a graduate of a high school or the equivalent, or scheduled
18 for graduation from a high school within six months, with sufficient credits to be
19 admitted to a career education program or to an accredited college or university;

20 (2) is not delinquent or in default on a previously awarded scholarship
21 loan; and

22 (3) is a resident of the state at the time of application for the loan; for
23 purposes of this section, a person qualifies as a resident of the state if at the time of
24 application for the loan the person

25 (A) has been physically present in the state for at least one year
26 [TWO YEARS] immediately before the time of application for the loan;

27 (B) is dependent on a parent or guardian for care, the parent or
28 guardian has been present in the state for at least one year [TWO YEARS]
29 immediately before the time of application for the loan, and the person has been
30 present in the state for at least one year of the immediately preceding five years
31 except that the commission may by a two-thirds vote, acting upon a written
32 appeal by the person, grant an exemption to the requirement that the person has

been present in the state for one year of the immediately preceding five years;

(C) has been physically present in the state [, OR IS A DEPENDENT OF A PARENT OR GUARDIAN WHO HAS BEEN PHYSICALLY PRESENT IN THE STATE,] for at least one year [TWO YEARS] immediately before the applicant was absent from the state and the absence is due solely to

(i) serving an initial period of up to **three** [SIX] years on active duty as a member of the armed forces of the United States;

- (ii) serving for up to three years as a full-time volunteer under the Peace Corps Act;

(iii) serving for up to three years as a full-time volunteer under the Domestic Volunteer Service Act of 1973;

(iv) required medical care for the applicant or the applicant's immediate family;

(v) being a person who otherwise qualifies as a resident and is accompanying a spouse who qualifies as a resident under (i) - (iv) of this paragraph; [OR]

(vi) an absence allowed under (D)(i) - (iv) of this paragraph; or

(D) [HAS BEEN PHYSICALLY PRESENT IN THE STATE, OR] is a dependent of a parent or guardian who has been physically present in the state [,] for at least one year [TWO YEARS] immediately before [THE APPLICANT OR] the parent or guardian was absent from the state and the absence is due solely to

- (i) participating in a foreign exchange student program recognized by the commission;

(ii) attending a school as a full-time student;

(iii) full-time employment by the state;

(iv) being a member of or employed full-time by the state's congressional delegation;

(v) being a person who otherwise qualifies as a resident and is accompanying a spouse who qualifies as a resident under (i) - (iv)

of this paragraph;

(4) does not have a past due child support obligation established by court order or by the child support enforcement division under AS 25.27.160 - 25.27.220 at the time of application; and

(5) has not, within the previous five years, had a scholarship loan discharged or written off by the commission for any reason.

* **Sec. 16.** AS 14.43.125(c) is amended to read:

(c) A person may not be awarded a scholarship loan under AS 14.43.090 - 14.43.160 [IF A FAMILY EDUCATION LOAN IS MADE ON BEHALF OF THAT PERSON UNDER AS 14.43.710 - 14.43.790 OR] if that person receives a teacher scholarship loan under AS 14.43.600 - 14.43.700 for the same **period of attendance** [SCHOOL YEAR].

* **Sec. 17.** AS 14.43.150 is amended by adding a new subsection to read:

(d) An assignment of wages authorized under this section that is made under court order has priority as against an attachment, execution, or other assignment, except for an assignment for payment of child support under AS 25.27.070, restitution to a crime victim authorized under AS 12.55.045, or as otherwise ordered by the court.

* **Sec. 18.** AS 14.43.300(g) is amended to read:

(g) The commission by regulation shall set a [A] loan origination [GUARANTEE] fee, not to exceed five [OF ONE] percent of the total memorial scholarship loan amount, to [SHALL] be assessed upon a memorial scholarship loan. The loan origination [GUARANTEE] fee shall be deducted at the time [ADDED AS A FINANCE CHARGE TO] the [TOTAL] loan is disbursed [AMOUNT AWARDED]. Subject to appropriation, the loan origination [GUARANTEE] fee shall be deposited into an origination [A GUARANTEE] fee account within the memorial scholarship revolving loan fund, and subsequently transferred by the commission to the appropriate memorial scholarship accounts within the memorial scholarship revolving loan fund to offset losses incurred due to loan debt cancellation as a result of death, disability, or bankruptcy of the student.

* **Sec. 19.** AS 14.43.640 is amended by adding a new subsection to read:

(e) Teacher scholarship loans made to a student may not exceed a total of \$37,500.

* **Sec. 20.** AS 14.43.650(c) is amended to read:

(c) A student may not be awarded a teacher scholarship loan under AS 14.43.600 - 14.43.700 [IF A FAMILY EDUCATION LOAN IS MADE ON BEHALF OF THE STUDENT UNDER AS 14.43.710 - 14.43.790 OR] if the student receives a scholarship loan under AS 14.43.090 - 14.43.160 for the same **period of attendance** [SCHOOL YEAR].

* **Sec. 21.** AS 14.43.740(a) is amended to read:

(a) The provisions of AS 14.43.100, 14.43.110, [14.43.115,] 14.43.120(a) - (d), (i), (m), and (r) - (u), and 14.43.135 apply to a loan made under AS 14.43.710 - 14.43.790.

* **Sec. 22.** AS 14.43.790(a)(1) is amended to read:

(1) "default" means a loan that is 180 [120] days or more past due in repayment;

* **Sec. 23.** AS 14.43 is amended by adding a new section to read:

Sec. 14.43.920. UNAUTHORIZED SCHOLARSHIPS, LOANS, AND GRANTS. If a person receives a scholarship, loan, or grant under this title for which the person is not eligible under the provisions of this title, the scholarship, loan, or grant is void and the entire balance of money paid is immediately due to the scholarship, loan, or grant fund. This section is in addition to any penalty that may be imposed according to another provision of law.

* **Sec. 24.** AS 14.44.025 is amended to read:

Sec. 14.44.025. PROVISIONS OF SERVICES. State participation under Articles VIII and XIII of the Western Regional Higher Education Compact shall be limited to the provision of adequate services and facilities in the professional fields of study available through the Professional Student Exchange Program administered by the Western Interstate Commission on Higher Education. The Alaska Commission on Postsecondary Education shall establish funding priorities under AS 14.44.035 for the available fields of study by analyzing student access and state labor needs [FIELDS OF LAW, DENTISTRY, MEDICINE, OSTEOPATHY, PUBLIC HEALTH, VETERINARY MEDICINE, PHARMACY, PHYSICAL THERAPY, OCCUPATIONAL THERAPY, OPTOMETRY, PODIATRY, FORESTRY, ARCHITECTURE, GRADUATE NURSING, PETROLEUM ENGINEERING,

1 MARITIME TECHNOLOGY, AND GRADUATE LIBRARY STUDIES].

2 * **Sec. 25.** AS 14.48.050 is amended by adding a new paragraph to read:

3 (10) establish fees for the review of institutions requesting approval for
4 participation in the scholarship loan program under AS 14.43.120(b)(2)(B).

5 * **Sec. 26.** AS 14.42.032; AS 14.43.115, and 14.43.750(b) are repealed.

6 * **Sec. 27.** TRANSITION. The Alaska Commission on Postsecondary Education may
7 proceed to adopt regulations necessary to implement this Act. The regulations take effect under
8 AS 44.62 (Administrative Procedure Act), but not before July 1, 1996.

9 * **Sec. 28.** APPLICABILITY. A borrower's obligation to pay interest on a student loan, as
10 required by AS 14.43.120(k), amended in sec. 9 of this Act, applies to a scholarship loan
11 disbursed after June 30, 1996.

12 * **Sec. 29.** Section 27 of this Act takes effect immediately under AS 01.10.070(c).

13 * **Sec. 30.** Except as provided in sec. 29 of this Act, this Act takes effect July 1, 1996.