

# ALASKA STATE LEGISLATURE



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## Sponsor Statement

### SSH 272 Reducing Alaska Student Loan Interest Rate by 3% for Those Who Remain In or Return to Alaska: Building a Stronger Alaska Workforce

Currently Alaskans pay interest rates of roughly 7% and 8% for outstanding and new student loans. In contrast, used car loans are currently being issued by some lenders at 3% and less. Many Alaskans are struggling and Alaska has a history of losing those who obtain higher education degrees and job training to jobs outside of Alaska.

This legislation is one way we can lessen the financial burden on Alaskans who receive their job training or higher education in Alaska, or who move back to Alaska after receiving that education. It is aimed at strengthening the Alaskan economy, helping Alaskans prosper, and retaining more Alaskan talent.

This bill restructures Alaska student loan interest rates as follows. As long as a student remains in Alaska the interest on state-issued student and vocational education loans will be reduced by 3%. If a student leaves Alaska for school or job training and returns within two years of completing coursework, that student will receive a rebate of the additional 3% interest that accrued on the loans while they were out of state. That rebate will come in equal amounts over a five year period so that if the student only returns to Alaska for a short period of time, he or she only qualifies for a partial rebate. A 3% reduction in the interest rate on an average loan will reduce interest payments by nearly one-half.

The two-year allowance recognizes that Alaskans may undertake post-schooling training or find employment out of state shortly after completing their coursework, the benefits of which they may intend to bring back to the state afterwards.

If a student returns more than two years after completing his or her coursework, he or she doesn't receive a rebate on the interest that accrued while he or she was out of state. Upon returning to Alaska, however, he or she will benefit from the lower rate for the remainder of the time he or she is repaying his or her loans and remaining in Alaska. This bill applies to existing and new loans.

A reduction in interest rate provided by this bill is in addition to any other available reduction in interest rate.

If the point is reached whereupon the overall interest rate available to eligible students reaches three percent, the Alaska Student Loan Corporation shall have the discretion to determine whether or not the overall interest rate shall fall below the rate of three percent. Should it be determined that the reduction will negatively affect the corporation's bond rating or its ability to fund future loans, the commission may not provide a reduction in loan interest rates unless an appropriation is made.

Please feel free to contact our office if you have any questions.