



April 13, 2021

Senate Education Committee

Follow-up on Committee Member Comments from March 5, 2021 hearing on SB 94

Prepared by ACPE Staff

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1) Provide information on ACPE cohort default rates

Enclosed is a 2019 Cohort Default Rates report for ACPE's alternative loan programs.

2) Provide information on ACPE loan criteria, interest rates and eligibility

Criteria and Interest Rates:

Alaska Supplemental Education Loans (ASEL) Fixed Interest Rates 2021-2022

Program (max loan term)	Fixed Rate ASEL (10 years)		
Effective Date	July 1, 2021		
FICO ¹ Range	650-679 ²	680-719	720+
Base Rate	8.50% (7.93% APR)	6.00% (5.71% APR)	5.50% (5.25% APR)
Interest Rate Reduction ³	0.25%	0.25%	0.25%
Lowest Rate	8.25% (7.72% APR)	5.75% (5.48% APR)	5.25% (5.03% APR)

¹ Fair Isaac & Company score (FICO) is the score used to secure the loan and can be either the borrower's score or the cosigner's score. In the event both the borrower and the cosigner have qualifying scores, the highest score will be used to determine the loan rate.

² Borrower or cosigner must also have an absence of adverse credit in order to qualify for loan.

³ Rate reduction is available to borrowers making recurring \$50 monthly payments on loans not in repayment, deferment or forbearance or borrowers making recurring payments on loans current on their repayment schedule.

Other Loan Program Rates 2021-2022

Program (max loan term)	Variable Rate ASEL⁴	Fixed Rate PSEP⁵ (10 years)	Fixed Rate FEL (10 years)
Effective Date	July 1 – June 30	July 1, 2021	July 1, 2021
Underwriting Criteria	No Adverse Credit	No Adverse Credit	No Adverse Credit
Base Rate	TBD TBD ⁶	6.00% (5.76% APR)	6.00% (6.00% APR)
Interest Rate Reduction	0.25%	0.25%	0.25%
Lowest Rate	TBD TBD ⁶	5.75% (5.51% APR)	5.75% (5.75% APR)

Variable Rates: Alaska Student Loan Corporation (ASLC) regulations require the Corporation to annually reset the interest rate applicable on ASEL variable rate loans based on the bond equivalent rate of the 91-day U.S. Treasury bill auctioned at the final auction held before May 1. A Corporation board meeting has been scheduled in May to set these rates for the 2021-2022 academic year after the final auction is held.

ASEL Variable Interest Rates 2020-2021

Program	ASEL Variable Rate Loans
Effective Date	July 1, 2020
In-school Rate	2.80%
Repayment Period Rate	2.90%
Interest Rate Reduction	0.25%
Lowest Rate	2.55% 2.65%

⁴ No longer originated but rate is reset annually for existing loans. Rate to be set in May 2021.

⁵ Professional Student Exchange Program

⁶ Applicable in-school interest rate.

WWAMI Rates: The Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) program interest rates for the 2021-2022 academic year will be published in July 2021.

WWAMI Interest Rates 2020-2021

Program (loan term)	Fixed Rate WWAMI (15 years)
Effective Date	July 2020
Underwriting Criteria	No Credit Check
Base Rate	4.25% (2.87% APR)

Refinance Rates 2021-2022

Program (max loan term)	Fixed Rate REFI (5 years)			Fixed Rate REFI (10 years)			Fixed Rate REFI (15 years)		
Effective Date	May 1, 2021 (or as soon as administratively feasible after May 1, 2021)			May 1, 2021 (or as soon as administratively feasible after May 1, 2021)			May 1, 2021 (or as soon as administratively feasible after May 1, 2021)		
Underwriting Criteria	FICO 680-719 ⁷	FICO 720-779	FICO 780+	FICO 680-719 ⁸	FICO 720-779	FICO 780+	FICO 680-719 ⁹	FICO 720-779	FICO 780+
Base Rate	4.60%	3.80%	3.55%	4.80%	4.00%	3.75%	5.00%	4.20%	3.95%

Eligibility Requirements:

Alaska Supplemental Education Loans (ASEL)

- Be an Alaska resident, or attend an eligible Alaska school
- Have a FICO credit score of at least 650 and an absence of adverse credit, or apply with an eligible cosigner and
- Be enrolled at least half-time
- Meet all other requirements under AS 14.43.172 and 20 AAC 15.705

⁷ Borrower or cosigner must also have an absence of adverse credit in order to qualify for loan.

⁸ Borrower or cosigner must also have an absence of adverse credit in order to qualify for loan.

⁹ Borrower or cosigner must also have an absence of adverse credit in order to qualify for loan.

Alaska Family Education Loans (FEL)

- Borrower and student must be Alaska residents
- Student must be enrolled at least full-time
- Borrower credit history does not demonstrate a chronic inability or unwillingness to pay an extension of credit
- Meet all other requirements under AS 14.43.750 and 20 AAC 15.510

Alaska Refinance Loans (REFI)

- Be an Alaska resident (primary borrower only)
- Have at least \$7,500 in qualifying education loan(s), in good standing
- Have a minimum FICO credit score of 680 or higher, or a cosigner who meets the FICO score requirement

Alaska WWAMI Biomedical Program (WWAMI)

- Be a U.S. citizen or eligible non-citizen, and an Alaska resident for at least two consecutive years at the time of application in order to obtain residency certification.
- Have a high school diploma or equivalent (GED)
- Be accepted to the WWAMI Medical Education Program

WICHE Professional Student Exchange (PSEP)

- Be a U.S. citizen or eligible non-citizen, and an Alaska resident
- Have a high school diploma or equivalent (GED)
- Enroll at an eligible PSEP institution in one of the following fields of study: Dentistry, Occupational Therapy, Optometry, Physician's Assistant, Podiatry, Pharmacy, Physical Therapy

3) Provide data on COVID impacts

ACPE's 2021 Higher Education Almanac includes preliminary data on the impacts of COVID-19 on Alaska's higher education systems. A copy of the almanac can be found on ACPE's website at <https://acpe.alaska.gov/reports>. A few highlights are as follows:

- 33 percent of Alaska high school seniors reported their postsecondary plans had changed in some way due to COVID-19
- Overall interest in pursuing postsecondary education decreased
- Alaska's students still planning to attend postsecondary education opted for shorter degree programs
- Students that would have been full-time opted for fewer classes

As of the end of February 2021, compared to the same period the year prior, loan originations for ACPE are down 29% or \$2.9 million across all programs. At this time, preliminary data is not conclusive enough to tie the COVID-19 impacts on Alaska's students and higher education community to the decline in originations that ACPE is experiencing. A project to review the data associated with postsecondary

enrollment, FAFSA trends, and loan originations is underway to understand what factors contribute to the decline in loan volume.

4) Provide information on the impact to ASLC in expanding Alaska Refinance Loans eligibility and in increasing loan limits for in-school loans

Enclosed is a loan volume overview for ACPE. The Alaska Student Loan Corporation (ASLC) continues its recovery from the 2010 elimination of the federally guaranteed loan program and the national collapse of the asset-backed securities markets. Those events resulted in low annual originations and high portfolio runoff, eliminating the economies of scale the Corporation previously experienced, requiring significant cost reductions to retain Corporation financial health. The Commission, which is funded by the Corporation, has achieved extensive successes in cost reductions with additional planned reductions in the next few years associated with cost reduction strategies including outsourcing loan servicing and other operations.

The statutory changes to revise in-school loan limits to meet student and institutional demand and to offer expanded refinance loan program eligibility options to meet student needs will positively impact the Corporation by increasing annual originations and total revenue generating loan portfolio balances through a comparatively high credit quality loan program. The Corporation has controls in place to manage annual loan origination volumes by term and FICO score to mitigate financial risks including liquidity, loan loss and interest rate risks.

The goal is to responsibly increase annual originations, in a way that is fully sustainable by Corporation equity, to recapture needed volume while continuing to reduce costs to ensure availability of loans with the lowest interest rates possible for current and future borrowers. The Corporation is currently funding new loan originations with cash from repayments. As originations grow, it will become necessary for the Corporation to utilize existing invested balances and eventually fund originations with financing.

5) Provide information on impact to ASLC related to federal loan forgiveness

Currently, there is no provision in federal legislation for loan forgiveness. There is a provision on collection efforts on federal loans post-default, which does not apply to ASLC. This provision applies to federal government contractors that collect debt on federally held loans. There is also a provision in the recently passed American Rescue Plan Act (ARPA) that exempts any student loan forgiveness between its enactment and December 31, 2025, from federal income taxes, indicating the possibility of further federal legislation on loan forgiveness. ACPE is monitoring the ongoing situation. Without any proposed legislation setting out the guidelines and requirements for loan forgiveness, we do not have specific information on how loan forgiveness may impact ASLC's loan portfolio.

6) Provide information on the benefits of immediate repayment programs

Enclosed is a memorandum from Regional Managing Director Lee Donner, Hilltop Securities Inc. and an article written by Meghan Lustig, manager of government affairs and member services for the Education Finance Council (EFC). Hilltop serves as ASLC's financial advisors, and Mr. Donner's memorandum speaks to many aspects of the bill, including immediate repayment programs.

Attachments:

- ACPE 2019 Cohort Default Rates Report
- ACPE Loan Volume Overview
- Hilltop Securities Memorandum
- U.S. News Article