



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

**Alaska Commission on
Postsecondary Education**

EXECUTIVE OFFICE

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MEMORANDUM

TO: Representative Harriet Drummond
Representative Andy Story
Co-Chairs, House Education

FROM: Sana Efird, Executive Director 

DATE: March 8, 2021

RE: Hearing Request for HB 114

Please accept this request to schedule HB 114, an act relating to the education loan program and Alaska supplemental education loan program, for consideration by the House Education Committee.

Attached to this memo are the following supporting documents:

1. HB 114 Sponsor Statement
2. HB 114 Legislation
3. HB 114 Sectional Analysis
4. HB 114 PowerPoint

If you have any questions regarding this hearing request, please feel free to contact me directly or DEED's Legislative Liaison, Erin Hardin, at (907) 465-2803.

STATE CAPITOL
P.O. Box 110001
Juneau, AK 99811-0001
907-465-3500



550 West Seventh Avenue, Suite 1700
Anchorage, AK 99501
907-269-7450

Governor Mike Dunleavy
STATE OF ALASKA

February 23, 2021

The Honorable Louise Stutes
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Stutes:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to the education loan program for postsecondary students.

The bill would increase opportunities for borrowers to consolidate education loans by expanding options to show eligibility. Current statute requires that borrowers physically reside in the State. This bill adds additional eligibility options to include being a previous borrower, cosigner, or beneficiary of an education loan made under AS 14.43 or AS 14.44, or being a graduate of a high school or postsecondary institution physically located in the State.

Specific loan limits would be removed from statute and instead the Alaska Student Loan Corporation would have the authority to set limits, as appropriate, to address evolving student needs. The bill would also clarify that a borrower's obligation to commence repayment of the loan could begin immediately upon disbursement of the loan.

This legislation will increase responsiveness to Alaska's higher education community and will allow for responsible increases to annual loan limits and originations to meet the financial aid needs of Alaska's student loan borrowers.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Dunleavy".

Mike Dunleavy
Governor

Enclosure

HOUSE BILL NO. 114

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-SECOND LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 2/24/21

Referred: Education

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the education loan program and Alaska supplemental education
2 loan program; and providing for an effective date."

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

4 * **Section 1.** AS 14.43.122(b) is amended to read:

5 (b) For a borrower to be eligible for consolidation of a loan under this section,
6 the borrower must apply on a form approved by the corporation and **must** [PROVIDE
7 PROOF SATISFACTORY TO THE CORPORATION THAT THE BORROWER]

8 (1) physically **reside** [RESIDES] in the state and **have** [HAS]
9 maintained a domicile in the state for not less than 12 consecutive months before
10 submitting an application for consolidation;

11 (2) **be a previous borrower, cosigner, or beneficiary of an**
12 **education loan made under AS 14.43 or AS 14.44** [HAS NOT BEEN
13 PHYSICALLY ABSENT FROM THE STATE FOR MORE THAN 60 DAYS IN
14 THE 12 MONTHS BEFORE SUBMITTING AN APPLICATION FOR

1 CONSOLIDATION]; or

2 (3) be a graduate of a high school or postsecondary institution
 3 physically located in the state [HAS NOT DECLARED RESIDENCY IN
 4 ANOTHER STATE;

5 (4) HAS NOT RECEIVED A BENEFIT OF RESIDENCY IN
 6 ANOTHER STATE].

7 * **Sec. 2.** AS 14.43.173(a) is amended to read:

8 (a) In a school year, the corporation may finance a loan to an eligible borrower
 9 under AS 14.43.170 - 14.43.175 attending an eligible postsecondary institution in a
 10 maximum amount to be determined by the corporation for an eligible [NOT TO
 11 EXCEED]

12 (1) undergraduate attending a college or university [\$14,000 TO
 13 AN ELIGIBLE UNDERGRADUATE STUDENT ATTENDING A COLLEGE OR
 14 UNIVERSITY];

15 (2) graduate student attending a college or university [\$15,000 TO
 16 AN ELIGIBLE GRADUATE STUDENT ATTENDING A COLLEGE OR
 17 UNIVERSITY]; and

18 (3) student attending a career education program [\$10,000 TO AN
 19 ELIGIBLE STUDENT ATTENDING A CAREER EDUCATION PROGRAM].

20 * **Sec. 3.** AS 14.43.173(b) is amended to read:

21 (b) The corporation may finance loans made under AS 14.43.170 - 14.43.175
 22 to an eligible [A] borrower a maximum total [IN AN] amount to be determined by
 23 the corporation for [THAT IS NOT MORE THAN]

24 (1) an [A TOTAL OF \$56,000 FOR] undergraduate study program;

25 (2) a [TOTAL OF \$60,000 FOR] graduate study program; and [; OR]

26 (3) a combined [TOTAL OF \$87,000 FOR] undergraduate and
 27 graduate study program.

28 * **Sec. 4.** AS 14.43.173(d) is amended to read:

29 (d) The commission shall determine a borrower's loan award amount for a
 30 specific school year [BASED ON A STUDENT'S ON-TIME, HALF-TIME, AND
 31 FULL-TIME STUDENT STATUS] and may not exceed the limits established by the

1 **corporation** [IN THIS SECTION] or the borrower's costs of attendance.

2 * **Sec. 5.** AS 14.43.175 is amended to read:

3 **Sec. 14.43.175. Repayment of loans.** A borrower's obligation to commence
4 repayment of the principal of and interest on a loan under AS 14.43.170 - 14.43.175
5 begins not **later** [MORE] than six months following the borrower's completion or
6 other termination of the postsecondary program or the date that the borrower ceases to
7 be enrolled on at least a half-time basis. **The commission and borrower may agree**
8 **to a repayment schedule commencing repayment immediately upon**
9 **disbursement of a loan.**

10 * **Sec. 6.** This Act takes effect July 1, 2021.



HB 114 – Education & Supplemental Loan Programs

Sectional Analysis

“An Act relating to the education loan program and Alaska supplemental education loan program; and providing for an effective date.”

Section 1:

Amends AS 14.43.122(b), Consolidation of loans, by expanding the population eligible to apply for Alaska Refinancing Loans to include previous Alaska borrowers and graduates from Alaska high schools and postsecondary institutions, as well as current Alaska residents.

Section 2:

Amends AS 14.43.173(a), Loan award maximums; use of loan award, by eliminating the loan maximums in statute and providing for the Alaska Student Loan Corporation (Corporation) to set the annual loan maximums.

Section 3:

Amends AS 14.43.173(b), Loan award maximums; use of loan award, by eliminating lifetime loan maximums in statute and providing for the Corporation to set lifetime loan maximums.

Section 4:

Amends AS 14.43.173(d), Loan award maximums; use of loan award, with a conforming change to allow the Corporation to set loan limits for both half-time and full-time loans.

Section 5:

Amends AS 14.43.175, Repayment of loans, by providing for the Alaska Commission on Postsecondary Education to offer future student loan borrowers a loan program with immediate repayment requirements.

Section 6:

Establishes an effective date of July 1, 2021 (FY2022).

Alaska Commission on Postsecondary Education (ACPE) & Alaska Student Loan Corporation (ASLC)

2021 House Bill 114 Presentation to House Education Committee

Sana Efird, MA, Executive Director



Alaska Student
Loan Corporation

POSITIVELY IMPACTING HIGHER EDUCATION ATTAINMENT FOR ALASKANS



ACPE & ASLC Missions

- › The Alaska Commission on Postsecondary Education supports Alaskans' access to and success in postsecondary education and career training after high school.
- › The Alaska Student Loan Corporation operates as an enterprise agency of the State of Alaska, funding and facilitating the Alaska Student Loan Program and the related work of the Alaska Commission on Postsecondary Education.



House Bill 114

- › "An Act relating to the education loan program and Alaska supplemental education loan program; and providing for an effective date."



Section 1: Amends AS 14.43.122(b)

This proposed change relates to Alaska refinance loans

- › Expands eligibility
 - Currently eligible: Alaska residents only
 - Proposed: previous borrower, cosigner, or beneficiary of an Alaska loan
 - Proposed: Alaska high schools and postsecondary institutions graduates



Sections 2, 3 & 4: Amends AS 14.43.173(a), (b) & (d)

These proposed changes relate to in-school Alaska loans

- › Removes annual loan limits from statute
- › Removes lifetime maximums from statute
- › Provides for the Corporation to set annual and lifetime limits for both half-time and full-time loans



Section 5: Amends AS 14.43.175

- › Adds clarifying language that ACPE can offer future student loan borrowers a loan program with immediate repayment



Section 6: Effective Date

- › The effective date of this bill is July 1, 2021 (FY2022)



Fiscal Note

- › This bill has a zero fiscal note
 - Not anticipated to increase agency operating costs



Constituent Resources

› Loan Programs

<https://acpe.alaska.gov/LOANS>

› Financial Aid

<https://acpe.alaska.gov/FINANCIAL-AID>

› Institutional Authorization

<https://acpe.alaska.gov/Institutional-Authorization>

› Student Complaints

<https://acpe.alaska.gov/ConsumerProtection>

› Education Planning

<https://acpe.alaska.gov/PLANNING>



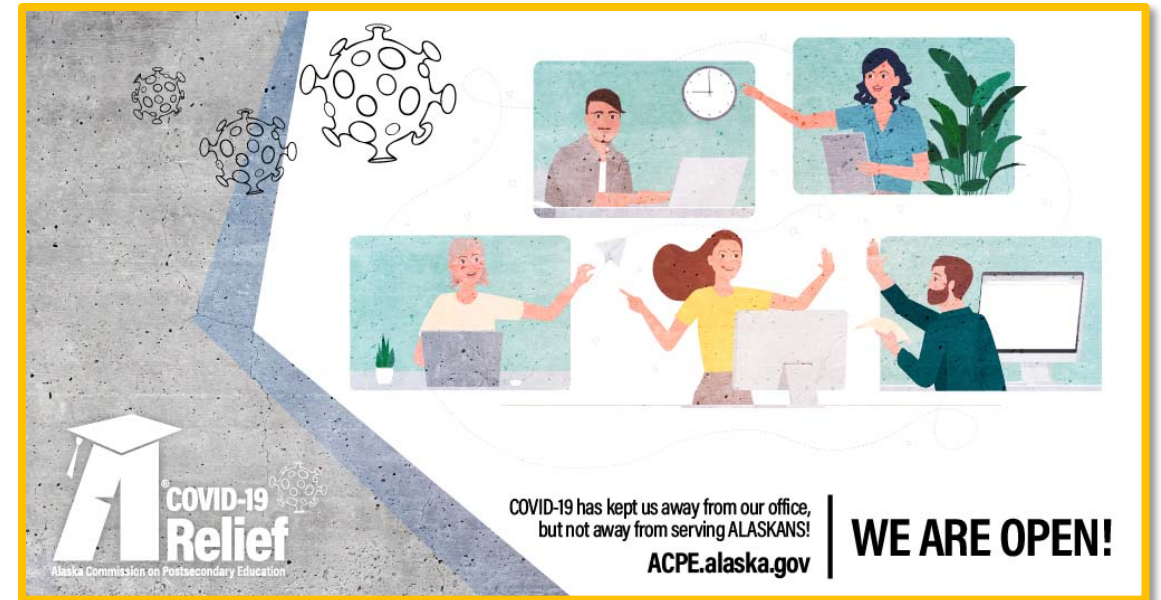
› Investor Relations

https://acpe.alaska.gov/Investor_Relations



Legislative Resources

- › 2021 APS Outcomes Report
 - https://acpe.alaska.gov/Portals/3/APS/Pubs/APS_OutcomesReport_2021.pdf
- › 2021 Higher Education Almanac
 - https://acpe.alaska.gov/Portals/3/OTHER/Pubs/Almanac_2020-web.pdf
- › Other Reports & Publications
 - <https://acpe.alaska.gov/Reports>
 - <https://acpe.alaska.gov/Publications>
- › About ACPE & ASLC
 - <https://acpe.alaska.gov/About-Us>



- › COVID-19 Updates
 - <https://acpesecure.alaska.gov/Announcements>
 - https://acpe.alaska.gov/Press_Releases
- › ACPE & ASLC Statutes & Regs
 - <https://acpe.alaska.gov/StatutesandRegulations>



Contact Information

- › Sana Efird, Executive Director
 - sana.efird@alaska.gov
 - (907) 465-6740

- › acpe.alaska.gov
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- › @followacpe on Facebook & Instagram



Fiscal Note

State of Alaska
2021 Legislative Session

Bill Version:	HB 114
Fiscal Note Number:	1
(H) Publish Date:	2/24/2021

Identifier: 0644-EED-ACPE-2-18-21
Title: EDUCATION & SUPPLEMENTAL LOAN PROGRAMS
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Governor

Department: Department of Education and Early Development
Appropriation: Alaska Commission on Postsecondary Education
Allocation: Program Administration & Operations
OMB Component Number: 2738

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2022 Appropriation Requested	Included in Governor's FY2022 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2022	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2021) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2022) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Initial version, not applicable.

Prepared By: Sana Efird, Executive Director
Division: Alaska Commission on Postsecondary Education
Approved By: Lacey Sanders, Administrative Services Director
Agency: Office of Management and Budget

Phone: (907)465-6740
Date: 02/18/2021 10:00 AM
Date: 02/19/21

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2021 LEGISLATIVE SESSION

Analysis

This bill provides the Alaska Commission on Postsecondary Education (Commission) with a number of authorities that will allow the Commission to better meet Alaskans' student loan needs, and thus is expected to increase the origination of loans funded by the Alaska Student Loan Corporation (Corporation).

The new authorities are:

- Amend AS 14.43.122(b) by expanding the population eligible to apply for Alaska Refinancing Loans to include previous Alaska borrowers and graduates from Alaska high schools and postsecondary institutions, as well as current Alaska residents.
- Amend AS 14.43.173(a) by eliminating the loan maximums in statute and providing for the Corporation to set the annual loan maximums, in order to be more responsive to the needs of Alaska students and higher education institutions, especially when tuition costs change.
- Amend AS 14.43.173(b) by eliminating lifetime loan maximums in statute and providing for the Corporation to set lifetime loan maximums, in order to be more responsive to the needs of Alaska students and higher education institutions, especially when tuition costs and annual loan limits change.
- Amend AS 14.43.173(d) by making conforming changes to allow the Corporation to set loan limits for both half-time and full-time loans.
- Amend AS 14.43.175 by providing for the Commission to offer future student loan borrowers a loan program with immediate repayment requirements. Such a loan would reduce costs for student borrowers because interest would not be deferred and capitalized. Such a loan would be an option new student borrowers could choose to apply for to lower costs and would not impact current borrowers.

This bill has an effective date of July 1, 2021 (FY2022).

This bill is not anticipated to increase agency operating costs. There is no fiscal impact to the Commission as a result of this legislation.

Fiscal Note

State of Alaska
2021 Legislative Session

Bill Version:	HB 114
Fiscal Note Number:	2
(H) Publish Date:	2/24/2021

Identifier: 0644-DOR-CO-2-18-21
Title: EDUCATION & SUPPLEMENTAL LOAN PROGRAMS
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Governor

Department: Department of Revenue
Appropriation: Administration and Support
Allocation: Commissioner's Office
OMB Component Number: 123

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

	FY2022 Appropriation Requested	Included in Governor's FY2022 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2022	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2021) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2022) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

Prepared By: Anna MacKinnon, Special Assistant to the Commissioner
Division: Commissioner's Office
Approved By: Brian Fechter, Director
Agency: Department of Revenue

Phone: (907)465-2300
Date: 02/18/2021 04:30 PM
Date: 02/18/21

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2021 LEGISLATIVE SESSION**Analysis**

The bill makes changes to statutes governing the educational loan program for postsecondary students. It would change the eligibility requirements for the consolidation of loans, remove specific loan limits in statute and clarify that borrowers may begin repayment immediately after a loan is dispersed. The bill is not anticipated to have any fiscal impact to the Department of Revenue.



Alternative Loan Programs 2019 Cohort Default Rates

The Commission calculates default rates annually, based on Alaska alternative educational loans entering repayment between January 1st and December 31st of the cohort year. Alaska alternative educational loans greater than six months past due at the end of the first 12 months of repayment are included in the annual default rate calculations.

The Commission publishes two different default rate calculations for the alternative loan programs:

1. Institutional Rate – the rate of default on Alaska Supplemental, Alaska Student and Teacher Education Loans at institutions administering education loan programs on behalf of Alaska students.
2. Program Rate – the rate of default by specified loan program.

Institutional Cohort Default Rate

Institution Location	2019	2018	2017	2016	2015	2014
Alaska	3.20%	4.97%	10.99%	7.45%	4.93%	10.51%
Out-of-State	2.53%	0.80%	2.40%	4.70%	3.27%	4.61%
Combined Rate	2.84%	3.11%	6.75%	5.97%	4.12%	8.08%

Program Cohort Default Rate

Program	2019	2018	2017	2016	2015	2014
Alaska Supplemental Education Loan	2.88%	3.27%	6.40%	6.07%	3.54%	7.81%
Alaska Student Loan	0.00%	0.00%	95.80% ¹	0.00%	0.00%	103.98% ²
Alternative Consolidation Loan	0.00%	0.00%	0.00	0.00%	1.07%	0.00%
Family Education Loan	0.00%	1.44%	2.41%	0.00%	0.00%	1.95%
Refinance Loan ³	0.00%	0.00%	0.81%	N/A	N/A	N/A
Teacher Education Loan	0.00%	0.00%	7.40%	5.38%	12.13%	10.45%
Winn Brindle Education Loan	0.00%	0.00%	0.00%	0.00%	6.45%	0.00%

¹ Number consists of five defaulted AL loans. AL default rate impacts the Alaska rate (from 10.45% to 10.99%), Combined rate (from 6.46% to 6.75%) and UAA rate (from 17.84% to 19.49%).

² This rate represents one borrower with four loans; total disbursed < total default amount due to capitalized interest.

³ 2017 is the first cohort year for Refinance loans. The Refinance loan program was implemented August 1, 2016, for program year 2017.



March 2, 2021

The Honorable Harriet Drummond
Alaska House of Representatives
Alaska State Capitol, Room 108
Juneau, AK 99801

The Honorable Andi Story
Alaska House of Representatives
Alaska State Capitol, Room 403
Juneau, AK 99801

Dear Co-Chair Drummond and Co-Chair Story,

I am writing in support of HB 114, *An Act relating to the education loan program and Alaska supplemental education loan program; and providing for an effective date*. In light of rising costs to attend postsecondary education, nationally and in Alaska, and with the growing need to establish a well-trained Alaskan workforce to fuel the state's economy, it is now more crucial than ever that Alaska's students have access to low-cost education funding resources that meet their full financial needs in order to achieve career training and/or college credentials to reach their individual aspirations.

Current Alaska Statutes limit the loan amounts the Alaska Student Loan Corporation (ASLC) may finance in a given academic year to eligible borrowers: \$14,000 for undergraduate students, \$15,000 for graduate students, and \$10,000 for career education students. Additionally, statutes limit lifetime maximums for eligible borrowers to a total of \$56,000 for undergraduate study, \$60,000 for graduate study, and a combined total of \$87,000 for both graduate and undergraduate study. Dependent on the degree program, tuition costs for Charter College programs range from \$27,345.01 to \$32,245.01 for an academic year and approximately \$35,157.87 to \$105,947.89 for degree completion.

In serving on the Alaska Commission on Postsecondary Education, I am acutely aware that current loan limits are becoming a barrier to Alaska students who may not be able to obtain funding from private lenders due to strict underwriting criteria. Moreover, students and families who can obtain funding from private lenders are on average subject to higher interest rates than those that ASLC can offer. HB 114 would remove loan limits from statute and provide ASLC the authority to set loan limits to meet the evolving financial needs of Alaska's students.

Furthermore, the other changes in the bill would expand eligibility for ASLC's Refinance Loans and allow Alaska's student loan borrowers the option to apply for a loan program with immediate repayment. These proposed changes would provide additional loan financing options with reduced interest rates and overall lower costs.



Pre-pandemic, our state set the goal to have at least 65 percent of working-age Alaskans hold a high-quality postsecondary credential such as apprenticeship completion, technical certificates, or collegiate degrees by 2025¹. This goal remains crucial to achieving fiscal stability in Alaska. This legislation would benefit Alaska's students and families while helping us achieve our goal shared statewide.

Thank you for your continued support of higher education and career training attainment in Alaska.

Sincerely,

Joshua Bicchinella
Campus President-AK/MT
Charter College
Direct: 907-352-1021

¹ More information on the states 65 by 2025 goal can be found on the Alaska CAN! Network website at <http://65by2025.org/>

Lee Donner

Regional Managing Director

Date: April 6, 2021

To: Sana Efird, Executive Officer
Alaska Student Loan Corporation

Cc: Julie Pierce, Chief Financial Officer
Alaska Student Loan Corporation

Subject: Senate Bill 94 and House Bill 114

You have asked that Hilltop Securities (HTS) in its fiduciary role as Financial Advisor to the Alaska Student Loan Corporation (ASLC), review and comment on the implications of the proposed changes to AS 14.43 as set out in Senate Bill 94 (SB 94) and House Bill 114 (HB 114) for the operation of the affected portions of the student loan offerings of the Alaska Student Loan Corporation (ASLC).

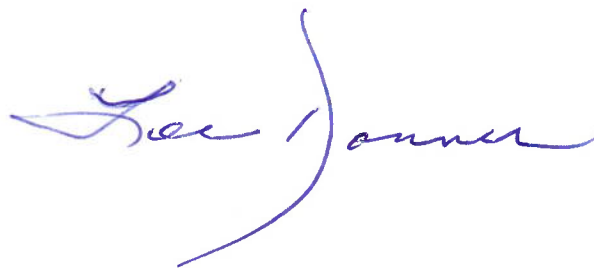
The proposed changes to AS 14.43.122 (b) would expand the pool of borrowers eligible to apply for and receive a consolidation or “refinance” loan from ASLC, but still limit the pool to borrowers who meet the standard “nexus” definition utilized in the federal tax code (i.e. either a current or former resident of the state attending (or who attended) any eligible institution anywhere in the U.S. or its territories, or a non-resident attending (or who attended) an in-state secondary or post-secondary eligible institution. This proposed change offers several positive outcomes for the program: (a) the larger pool would increase the pool of eligible borrowers (and presumably the volume of loans originated) without lowering the current credit based underwriting standards utilized by the Corporation, (b) more borrowers with an established Alaska nexus would benefit from the competitive lending rates offered by ASLC, and (c) the new loans originated under the expanded eligibility criteria would continue to be eligible for tax-exempt financing, assuming compliance with other criteria in Section 144(b)(1)(B) of the federal tax code (including school certification of Cost of Education Less Aid or COELA).

The proposed changes to AS 14.43.173 transfer the program’s loan size limitations from being embedded in the statute to determination on an “as needed” basis by the governing body of ASLC. In our experience providing financial advisory services (currently) to ten different state agency and not-for-profit student loan providers, the only other case where loan size limits are embedded in the governing statutes is the State of Texas, and that is because student loan bonds issued under the Texas private student loan program are general obligations of the State of Texas unlike the limited recourse student loan revenue bonds issued by ASLC. This proposed change offers a couple positive outcomes

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for the program. Amending enabling legislation for state agency or not-for-profit student loan programs is inevitably a lengthy and uncertain process, resulting in limited or no capacity for loan programs to adjust to changes in the cost of education. If enacted, this change would allow ASLC to evaluate costs of education and adjust loan limits on a “real time” basis. Loan limits based on considerations other than actual costs of attendance can contribute to defaults by leaving borrowers with unmet financial needs that result in failures to complete an entire course of education and receive a certificate or degree. Furthermore, larger loan balances made to credit-worthy borrowers are more cost-efficient to administer and service than smaller loans and statistically have lower default rates, all of which helps ASLC lower the operating costs of the program.

The proposed change to AS.14.43.175 would allow ASLC to introduce, and presumably encourage the use of, an immediate repayment option or options with respect to its “in-school” loan offerings. Multiple studies have demonstrated that a borrower who enters repayment status immediately (even if such immediate repayment is interest-only during the in-school period) have lower delinquency and default rates than loans that fully defer payment until some period after the borrower is no longer enrolled on at least a half-time basis. This lower delinquency and default rate outcome benefits both borrowers (fewer damaged credit records) and ASLC (lower default costs), and over time can improve ASLC’s credit ratings and cost of borrowed funds. In addition, borrowers who utilize the immediate pay option lower their cost of borrowing by reducing or eliminating the compounding effect that occurs when accrued interest is capitalized.

A handwritten signature in blue ink, appearing to read "Greg Lanner". The signature is fluid and cursive, with a large loop at the end of the last name.

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Chad Hutchison
State Relations Director
University of Alaska
2025 Yukon Drive
Fairbanks, Alaska 99775



Juneau: (907) 463-3086
Cell: (907) 378-3946
clhutchison@alaska.edu

March 4, 2021

The Honorable Senator Roger Holland
Senate Education Committee
Alaska State Senate
Capitol Building, Room 115
Juneau, Alaska 99801

Re: Support for Senate Bill 94 ("Version A") and House Bill 114 ("Version A")

Dear Chair Roger Holland:

The University of Alaska (UA) has reviewed Senate Bill 94 ("Version A") and House Bill 114 ("Version A") and supports the principles behind both bills.

As Alaska moves forward, there is wisdom in allowing the Alaska Student Loan Corporation (ASLC) reasonable flexibility to determine loan amounts for eligible borrowers. Loans can be better tailored to meet the needs of the student. Concurrently, the University system can help the student and give them more opportunity through education.

Investing in our future is key to Alaska's overall success. Both bills, as currently drafted, are reasonable and create a "win/win scenario" for the students (which is most important) and the University.

Thank you for your consideration. Please consider supporting this important legislation.

Sincerely,



Chad Hutchison – University of Alaska State Director

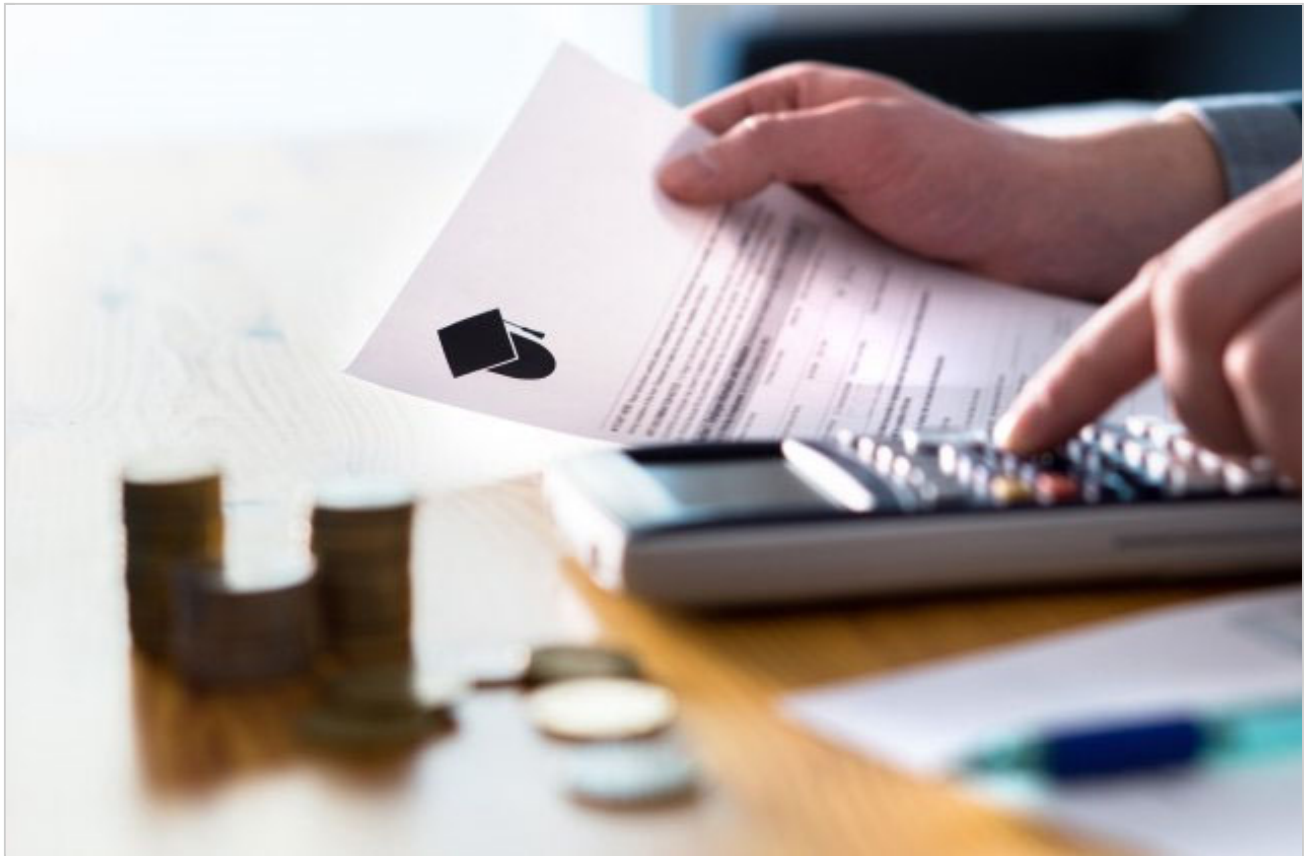
cc
Pat Pitney, Interim UA President
Michelle Rizk, VP University Relations


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Reasons to Pay Student Loan Interest During School

Paying the interest on your student loans while you're still in school has financial and other benefits.

By **Meghan Lustig**, Contributor April 15, 2020



Making even small payments on your student loans while you are in school can save you a lot of money over time.  (GETTY IMAGES)

DEPENDING ON THE TYPE of student loan you have, you may or may not be required to make payments while you are still in [college](#). Deferring payments on your student loans until after you graduate may make financial sense in the short term. However, if you can afford it, there are some worthwhile benefits of making payments on your student loans while you're still in school.

Most student loan borrowers today have federal direct loans. These loans are deferred for borrowers with in-school status, which means that you are not required to repay them while enrolled in school at least half time or for the first six months after graduation or withdrawal.

For other types of [student loans](#), including federal PLUS loans and private student loans, borrowers may be required to make in-school payments. Check the terms of your loan to be sure of your obligations.

[**READ:** [What Every Borrower Should Know About Student Loan Interest Rates.](#)]

Whether or not it's required, paying any interest that accrues on your student loans while you're in school can have at least three benefits:

- Saving money over time.
- Establishing good habits.
- Taking control of your financial health.

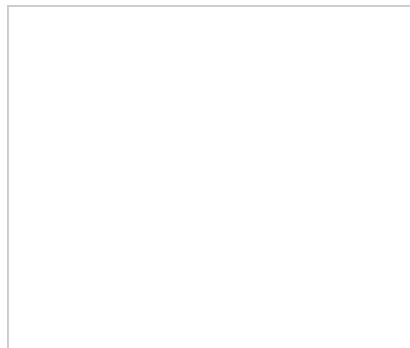
Saving Money Over Time

Making even small payments on your student loans while you are in school can save you a lot of money over time. Interest may seem small now, but it can add up quickly to exponentially increase the total amount you will pay.

When you borrow student loans, you are responsible for paying back the full amount that you borrowed plus any interest that accrues on your loan. On most student loans, interest starts to accrue from the time the loans are disbursed. Even if you are not required to [repay your loans](#) while you are in school, interest will still accrue.

[**READ:** [How Interest Increases Your Student Loan Balance.](#)]

When your loan goes into repayment, any unpaid interest will capitalize, meaning that it becomes part of the principal balance of your loan, which increases the loan. Interest is then calculated using this new, higher loan balance, which is called negative amortization.



You can avoid this and save money by making interest-only payments while you're still in school. Payments can be small each month, but helpful in the long run. For example, if you took out a \$5,000 student loan at 4.53% interest for your freshman year, interest-only payments would be only about \$18.88 a month during four years in college and the following [six-month grace period](#) prior to loan repayment beginning.

For federal loans, check StudentAid.gov to find your student loan servicer and to look up the amount of interest that accrues on your loans each month.

[**READ:** [When to Contact Your Student Loan Servicer.](#)]

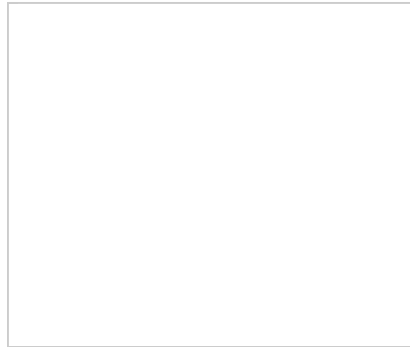
You can then check the [Cost of Interest Capitalization Calculator](#) to see how much making even these small payments could save you over time.

Note that there is one exception to this rule. If you have federal subsidized direct loans, which are available to undergraduate students with financial need, the federal government will pay any interest that accrues on these loans for you while you are still in school. If you have this type of loan, you can still opt to make payments on the principal while you are in school, but you don't need to worry about the interest until your loans go into repayment.

Establishing Good Habits

For many borrowers, the first month that student loans go into repayment can be a big financial shock. It's easy to forget about your loans completely when they are in [deferment](#) because they are out of sight and out of mind.

Making small interest-only payments while in college can help you form the good habits that you need to prepare and adjust when your student loans enter repayment. You'll never forget about your loans, because they will already be part of your monthly budget, and you'll be used to setting aside a portion of your income for this purpose each month.



Good habits can also help you reduce stress. You'll be more organized and can feel confident that you will receive and pay your first bill on time. You will know that your contact information is up to date, you'll be familiar with your student loan servicers and you'll know exactly where to send that first payment.

Laying this groundwork now will help you keep it up later when you're in repayment.

Taking Control of Your Financial Health

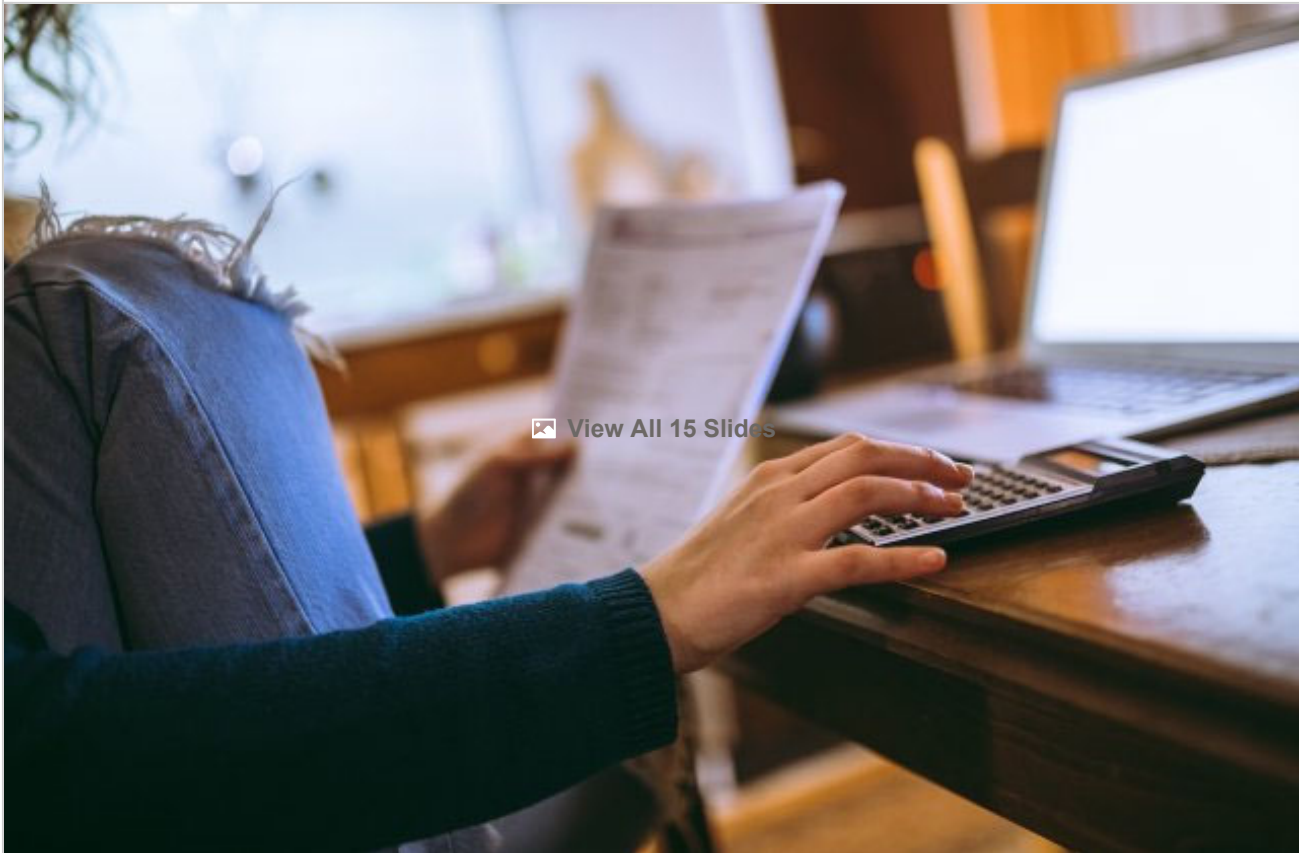
Your student loan is just once piece of your overall financial health. Establishing good credit and maintaining financially healthy practices are just as important before and during college as after. Paying interest on your student loans while you're still in school can give you that extra bit of awareness needed to get a jump-start on building and maintaining good credit.

[**READ:** [Why Your Creditworthiness May Matter for Student Borrowing.](#)]

Borrowers who have a record of on-time payments usually have a higher [credit score](#), which indicates to lenders that the borrower has good debt-management practices and is at a lower risk for default. You can get ahead now by checking your credit score and adapting your financial health accordingly.

You should also consider making a budget now that you can adjust as your income and expenses change. This will help you become more aware of your finances and your overall financial health. If your student loan payment is already part of this budget because you're making interest payments – even better!

11 Steps to Minimize Student Loan Debt



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Meghan Lustig is the manager of government affairs and member services for [Education Finance ...](#) [READ MORE »](#)

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Ilana Kowarski April 8, 2021



**RESOLUTION TO SUPPORT
SENATE BILL 94 AND HOUSE BILL 114**

WHEREAS, the mission of the Alaska Commission on Postsecondary (ACPE) is to promote access to and success in education and career training beyond high school; and

WHEREAS, ACPE, in partnership with the Alaska Student Loan Corporation (ASLC), provides financing and educational resources to Alaskans through early awareness, college and career planning, financial aid and education loan programs; and

WHEREAS, when scholarships and federal aid do not meet Alaska students' full financial needs, Alaska state education loans fill the gap with low-cost, high quality loans; and

WHEREAS, the goal of SB 94 and HB 114 is to increase responsiveness to Alaska's higher education community, especially students, by enhancing ACPE's ability to meet the financial needs of Alaska's current and future student loan borrowers; and

WHEREAS, current loan limits in Alaska statutes are becoming a barrier to Alaska students who may not be able to cover the full cost of attendance with an Alaska education loan or who may be unable to obtain funding from private lenders; and

WHEREAS, removing loan limits from statute would provide ASLC the flexibility to adjust loan limits to match rising education costs, ensuring the full financial needs of Alaska's borrowers are met; and

WHEREAS, Alaska Refinance Loans offer Alaska residents the ability to consolidate multiple Alaska loans and/or loans from other lenders into one low interest rate Alaska loan; and

WHEREAS, refinance loan volume has decreased over the last two years, and the proposed legislation would expand eligibility for the program while ensuring qualifying applicants still have a nexus to Alaska; and

WHEREAS, expanding eligibility of the refinance program would increase the pool of qualified applicants without lowering current credit based underwriting criteria and more borrowers with an Alaska nexus would benefit from the competitive lending rates offered by ASLC; and

WHEREAS, studies have shown that borrowers with loans that enter repayment status immediately (even interest-only payments) have lower delinquency and default rates than loans that fully defer payment until after the in-school period ends; and

WHEREAS, clarifying ASLC's authority to offer a loan program with immediate repayment would benefit new borrowers that choose to enter the program by reducing their overall education loan costs; and

WHEREAS, the proposed legislation would positively impact the viability of ASLC by responsibly increasing loan volume and originations, which translates into lower per-loan servicing costs as well as lower interest rates and overall costs (economies of scale) for Alaska's student loan borrowers and their families.

THEREFORE BE IT RESOLVED, the Alaska Commission on Postsecondary Education supports SB 94 and HB 114 and requests the Alaska State Legislature's favorable action in passing this legislation.

ADOPTED April 8, 2021