

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

SB 94 Presentation to Senate Finance Committee

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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.



SB 94

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

- **Expands Eligibility for Alaska Refinance Loans**
 - Currently eligible: Alaska residents only
 - Proposed: previous borrower, cosigner, or beneficiary of an Alaska loan
 - Proposed: graduates of Alaska high schools and postsecondary institutions
- **Removes specific loan limits from statute** for in-school loans and gives authority to ASLC Board to set limits
- **Adds clarifying language** that ACPE can offer future student loan borrowers a loan program with the option for immediate repayment



Why is SB 94 necessary?

Achieve two goals:

- Respond to the needs and requests of borrowers and postsecondary institutions
- Maintain financial stability of the Alaska Student Loan Corporation for future financial education needs of Alaskans



What Borrowers & Institutions Tell Us

- Current Alaska student loan limits have not kept up with tuition inflation and no longer meet financial need
- Federal loans are not always less expensive than Alaska loans and also do not meet financial need
- Private loans generally cost more, have lower approval rates, and are less transparent
- Alaska loan programs fill the cost gap with low-cost, high-quality loans

Supporting Financial Access

47%

Percent of College Graduates with Debt
(AVG Debt Amount = \$26,356 | Class of 2020)

ACPE LOAN PROGRAM HIGHLIGHTS

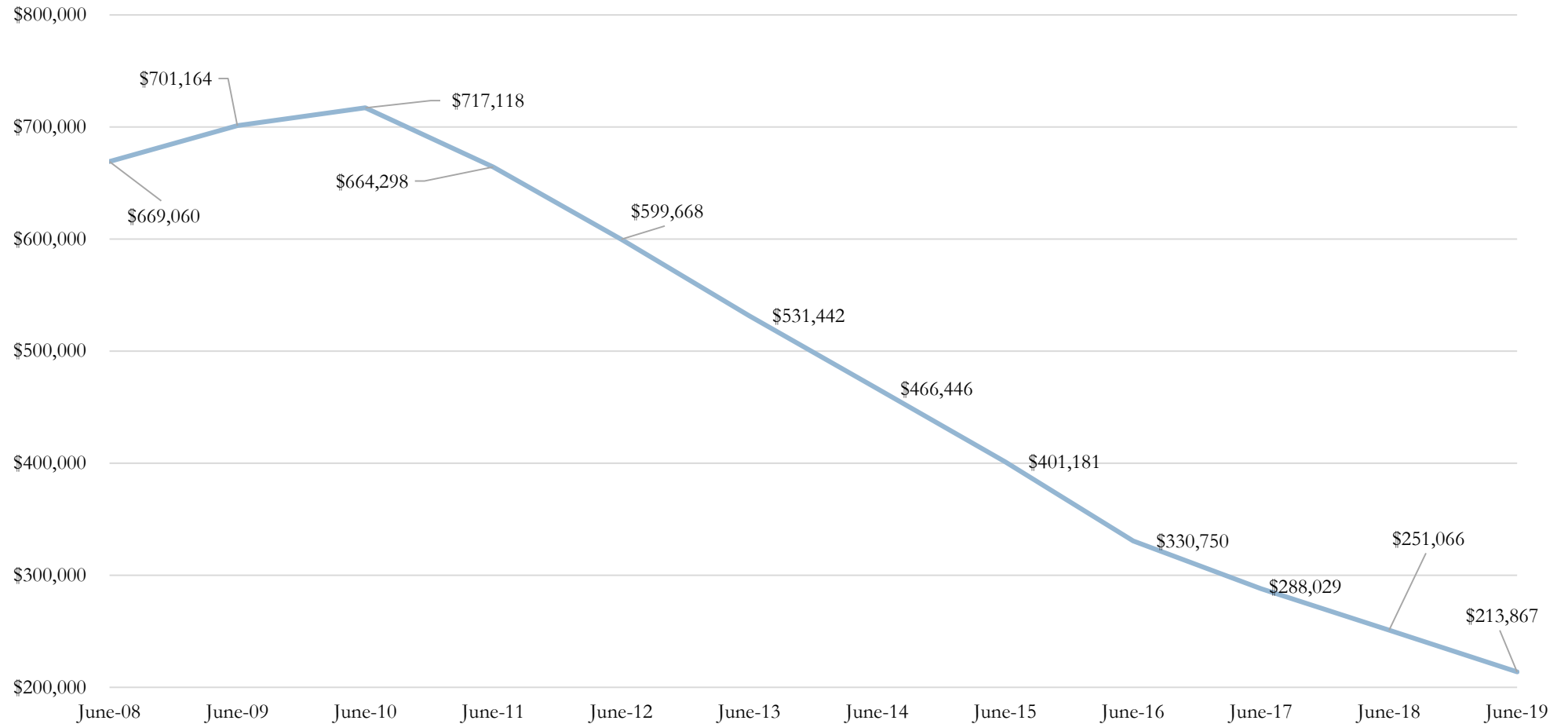
Created by Alaskans, for Alaskans

Alaska students pay **\$6,400 - \$20,100 LESS**
over the life of their loan by borrowing from ACPE

ACPE average loan rates are **LOWER**
than average national private fixed-rate loan



ASLC Loan Portfolio Runoff





Current Strategic Challenge: Since 2010, federal and state program challenges drastically curtailed loan originations, severely reducing economies of scale and impacting ASLC long-term viability:

- Elimination of Federal Family Education Loan Program (FFELP) in 2010
- Mortgage crisis impact on investor confidence in student loan debt required more rigorous underwriting standards
- Decline in college enrollment rates
- Federal preferred lender prohibition legislation
- Growing culture of fear that student loans are inherently bad

And more recently:

- COVID Pandemic
- Continued decline in enrollment rates
- Federal Student Loan forgiveness national conversation



Financial Stability Actions

- Implemented Lean process improvement program with cumulative savings of almost \$1 million - ongoing
- Operating budget reductions over past five years of 27 percent
- Reduce lease costs
- Implemented a refinance loan program, building a \$20 million refinance portfolio
- Moved investment management to Department of Revenue
 - Management worked with DOR to review projected cash flow, determine investment horizon and develop investment policy based on risk/return goals. Management worked with our Financial Advisor and received their positive feedback on our plan to switch to DOR and DOR's model.
 - Adopted an investment policy based on long-term investment horizon/risk return goals



Financial Stability Actions Continued

- Revised loan programs to provide reduced rates for high-FICO borrowers, attracting new volume in supplemental loans
- Redeemed the Corporations outstanding bond notes that will provide cost reductions related to the administration, accounting, reporting and compliance monitoring tasks
- Introduced current legislation
- Other strategies on the horizon



Sectional Analysis & Fiscal Note

- See Sectional Analysis in information packet
- Zero Fiscal Note:
 - Positive impact to the financial stability of the Corporation
 - Anticipated increase in loan origination volume would positively impact ASLC's economies of scale
 - No projected increases to agency operating costs

Questions?

Thank you!



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

- 2022 APS Outcomes Report

<https://acpe.alaska.gov/Portals/3/APS/Pubs/2022 APS Outcomes Report.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](https://acpe.alaska.gov/Press_Releases)

- ACPE & ASLC Statutes & Regulations

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



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