



LAWS OF ALASKA

1987

Source

SCS CSHB 39 (Fin)

Chapter No.

92

AN ACT

Relating to student loans and family education loans; creating the Alaska Student Loan Corporation; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1, LINE 10

UNDERLINED MATERIAL INDICATES TEXT THAT IS BEING ADDED TO THE LAW AND BRACKETED MATERIAL IN CAPITAL LETTERS INDICATES DELETIONS FROM THE LAW; COMPLETELY NEW TEXT OR MATERIAL REPEALED AND RE-ENACTED IS IDENTIFIED IN THE INTRODUCTORY LINE OF EACH BILL SECTION.

Approved by the Governor: June 17, 1987
Actual Effective Date: July 1, 1987

AN ACT

Relating to student loans and family education loans;
creating the Alaska Student Loan Corporation; and
providing for an effective date.

* Section 1. AS 14.42 is amended by adding a new section to read:

Sec. 14.42.032. LIMITATION ON AWARDING LOANS. In administering AS 14.43.090 - 14.43.325, 14.43.600 - 14.43.700, and 14.43.710 - 14.43.790, the commission may not during a fiscal year award loans with a total value that exceeds by more than three percent the total value of loans awarded under those provisions during the previous fiscal year. This limitation may be exceeded only if the commission is specifically authorized to do so by law.

* Sec. 2. AS 14.42 is amended by adding new sections to read:

ARTICLE 2. ALASKA STUDENT LOAN CORPORATION.

Sec. 14.42.100. CREATION OF ALASKA STUDENT LOAN CORPORATION. There is created the Alaska Student Loan Corporation. The corporation is a public corporation and government instrumentality within the Department of Education but having a legal existence independent of and separate from the state. The corporation may not be terminated as long as it has bonds, notes, or other obligations outstanding. Upon termination of the corporation, its rights and property pass to the state.

Sec. 14.42.110. PURPOSE OF CORPORATION. The purpose of the corporation is to improve higher educational opportunities for

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1 residents of the state in accordance with this chapter.

2 Sec. 14.42.120. CORPORATION GOVERNING BODY. (a) The corpor-
3 ation shall be governed by a board of directors appointed by the
4 governor consisting of two members of the Alaska Commission on Post-
5 secondary Education, each of whom is selected for the commission under
6 AS 14.42.015(a)(1) - (2), (4) - (6), (8), or (9) and the commissioner
7 of revenue, the commissioner of administration, and the commissioner
8 of commerce and economic development. Members of the board serve
9 without compensation but the members who are also members of the
10 Alaska Commission on Postsecondary Education are entitled to per diem
11 and travel expenses authorized by law for boards and commissions under
12 AS 39.20.180.

13 (b) The board shall elect a chairman from among its membership
14 at its annual meeting each year. A majority of the members constitute
15 a quorum for organizing the board, conducting its business, and exer-
16 cising the powers of the corporation.

17 Sec. 14.42.130. MEETINGS OF THE BOARD. (a) The board shall
18 meet at the call of its chairman and at other times as the board may
19 determine in accordance with its regulations.

20 (b) Public notice of a meeting of the board at which the issu-
21 ance of corporation bonds is authorized shall be provided at least 24
22 hours before the meeting.

23 Sec. 14.42.140. MINUTES OF MEETINGS. The board shall keep
24 minutes of each meeting and send a certified copy to the governor and
25 to the Legislative Budget and Audit Committee.

26 Sec. 14.42.150. ADMINISTRATION OF AFFAIRS. The board shall
27 manage the assets and business of the corporation and may adopt bylaws
28 and regulations, in accordance with the Administrative Procedure Act
29 (AS 44.62), governing the manner in which the business of the

corporation is conducted and the manner in which its powers are exercised. The board shall delegate supervision of the administration of the corporation to the executive officer of the corporation.

Sec. 14.42.160. EXECUTIVE OFFICER. The executive officer of the Commission on Postsecondary Education appointed under AS 14.42.040(a) shall serve as executive officer of the corporation. The board shall prescribe the duties of the executive officer.

Sec. 14.42.170. STAFF. The employees of the Alaska Commission on Postsecondary Education shall serve as staff for the corporation.

Sec. 14.42.190. BUDGET. The operating budget of the corporation is subject to AS 37.07 (Executive Budget Act).

Sec. 14.42.200. GENERAL POWERS. In addition to other powers granted in this chapter, the corporation may

- (1) sue and be sued in its own name;
- (2) adopt an official seal;
- (3) adopt regulations under AS 44.62 (Administrative Procedure Act) to carry out the purposes of this chapter;
- (4) make and execute agreements, contracts, and other instruments necessary or convenient in the exercise of the powers and functions of the corporation, including contracts with a person or governmental entity;
- (5) receive, administer, and comply with the conditions and requirements respecting any appropriation, gift, grant, or donation of property or money;
- (6) borrow money as provided in this chapter to carry out its corporate purposes and issue its obligations as evidence of the borrowing;
- (7) include in a borrowing the amounts to pay financing charges, interest on the obligations for a period not exceeding one

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1 year after the date on which the corporation estimates funds will
2 otherwise be available to pay the interest, consultant, advisory and
3 legal fees and other expenses necessary or incident to the borrowing;

4 (8) invest or reinvest, subject to its contracts with
5 noteholders and bondholders, money held by the corporation in obliga-
6 tions or other securities authorized for investments of the commis-
7 sioner of revenue under AS 37.10.070(a);

8 (9) collect from a borrower amounts owed with respect to a
9 student loan the corporation has purchased;

10 (10) gather information on student loans available to resi-
11 dents of Alaska and disseminate the information to reasonably assure
12 that qualified residents are aware of financial resources available to
13 those attending or desiring to attend institutions for which loans may
14 be made under AS 14.43.090 - 14.43.325, 14.43.600 - 14.43.700, or
15 14.43.710 - 14.43.790;

16 (11) service student loans held by the corporation;

17 (12) purchase or participate in the purchase of student
18 loans;

19 (13) contract in advance for the purchase or sale of student
20 loans;

21 (14) sell or participate in the sale, either public or
22 private and on terms authorized by the board, of student loans to the
23 Student Loan Marketing Association or to other purchasers;

24 (15) collect and pay reasonable fees and charges in connec-
25 tion with the purchase, sale, and servicing of student loans;

26 (16) enter into agreements with the federal government,
27 including guaranty agreements and supplemental guaranty agreements as
28 described in the United States Higher Education Act of 1965, as neces-
29 sary to provide for the receipt by the corporation of administrative

allowances and other benefits available under the United States Higher Education Act of 1965;

(17) administer federal money allotted to the state involving insured student loans and related administrative costs and other matters;

(18) enter into agreements with the Alaska Commission on Postsecondary Education relating to student loans, the administration of the student loan fund created under AS 14.42.210, and the payment of and security for bonds of the corporation;

(19) to the extent permitted under contracts with bond holders, consent to the modification of the rate of interest, time of payment of an installment of principal or interest, or other terms of a student loan purchased by the corporation;

(20) procure insurance against any loss in connection with the operation of its programs;

(21) provide advisory services to borrowers and other participants in the corporation's programs;

(22) enter into credit facility agreements and make pledges, covenants, and agreements with respect to the repayment of borrowings under the credit facility agreements;

(23) do all acts necessary, convenient, or desirable to carry out the powers expressly granted or necessarily implied in AS 14.42.100 - 14.42.500.

Sec. 14.42.210. STUDENT LOAN FUND. (a) The student loan fund is established in the corporation. The student loan fund is a trust fund to be used to carry out the purposes of AS 14.42.100 - 14.42.500, AS 14.43.090 - 14.43.325, 14.43.600 - 14.43.700, and 14.43.710 - 14.43.790. The fund consists of money or assets appropriated or transferred to the corporation for the fund and money or assets

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1 deposited in it by the corporation. The corporation may establish
2 separate accounts in the fund.

3 (b) Money and other assets of the student loan fund may be used
4 to secure bonds of the corporation, invested in student loans and in-
5 vestments described in AS 37.10.070(a) and used to purchase loans
6 approved under AS 14.43.090 - 14.43.325, 14.43.600 - 14.43.700, or
7 14.43.710 - 14.43.790.

8 (c) The student loan fund shall be administered by the Alaska
9 Commission on Postsecondary Education. The corporation and the com-
10 mission may enter into agreements relating to the administration of
11 the fund. The corporation may assign its rights under the agreements
12 for the benefit and security of holders of its bonds.

13 Sec. 14.42.220. BONDS OF THE CORPORATION. (a) Subject to (f)
14 of this section, the corporation may borrow money and may issue bonds,
15 on which the principal and interest are payable from its income and
16 receipts or other assets or a designated part or parts of them.

17 (b) Bonds may be authorized only by resolution of the board.
18 Bonds shall be dated, bear interest at the rate or rates, be in the
19 denominations, be in the form, either coupon or registered, carry the
20 registration privileges, be executed in the manner, be payable in the
21 medium of payment, at the place or places, be subject to the terms of
22 redemption, and mature as provided by the resolution or a subsequent
23 resolution. However, a bond may not mature more than 30 years after
24 the date it is issued.

25 (c) Bonds of the corporation, regardless of form or character,
26 are negotiable instruments for all the purposes of the Uniform Commer-
27 cial Code (AS 45.01 - AS 45.09).

28 (d) Bonds of the corporation may be sold at public or private
29 sale in the manner, for the price or prices, and at the time or times

that the board determines.

(e) The superior court has jurisdiction to hear and determine proceedings relating to the corporation, including proceedings brought by or for the benefit of a bondholder or by a trustee for or other representative of a bondholder.

(f) The corporation may not issue bonds, other than refunding bonds, during any two consecutive fiscal years in an aggregate amount greater than \$125,000,000 unless the legislature, by law, approves issuance of a greater amount.

Sec. 14.42.230. TRUST INDENTURES AND TRUST AGREEMENTS. An issue of bonds by the corporation may be secured by a trust indenture or trust agreement between the corporation and a corporate trustee, which may be a trust company, bank, or national banking association, with corporate trust powers, located inside or outside the state, or by a secured loan agreement or other instrument or under a resolution giving powers to a corporate trustee by means of which the corporation may:

(1) enter into agreements with the trustee or the bondholders that the board determines to be necessary or desirable, including covenants, provisions, limitations, and other agreements as to the

(A) application, investment, deposit, use, and disposition of the proceeds of bonds of the corporation or of money or other property of the corporation or in which it has an interest;

(B) fixing and collecting loan payments and other consideration for a student loan;

(C) assignment by the corporation of its rights in a student loan or in a mortgage or other security interest created with respect to a student loan to a trustee for the benefit of

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1 bondholders;

2 (D) terms and conditions upon which additional bonds
3 of the corporation may be issued;

4 (E) vesting in a trustee of rights, powers, duties,
5 funds, or property in trust for the benefit of bondholders, in-
6 cluding the right to enforce payment, performance, and other
7 rights of the corporation or of the bondholders, under a student
8 loan or a security interest created with respect to a student
9 loan;

10 (2) pledge, mortgage or assign money, agreements, property,
11 or other assets of the corporation either presently in hand or to be
12 received in the future, or both; and

13 (3) provide for other matters that in any way affect the
14 security or protection of the bonds.

15 Sec. 14.42.240. RESERVES AND CAPITAL RESERVES. (a) For the
16 purpose of securing one or more issues of bonds of the corporation,
17 the board may establish one or more special funds, called "capital
18 reserve funds," and may pay into those capital reserve funds the
19 proceeds of the sale of bonds and other money available to the corpo-
20 ration from other sources for the purposes of the capital reserve
21 funds. A capital reserve fund may be established only if the board
22 determines that the establishment of the fund would enhance the mar-
23 ketability of the bonds. Money in a capital reserve fund, except as
24 provided in this section, may be used as required only for the (1)
25 payment of the principal of, and interest on, bonds or of the sinking
26 fund payments with respect to those bonds; (2) purchase or redemption
27 of the bonds; or (3) payment of a redemption premium required to be
28 paid when the bonds are redeemed before maturity. However, money in a
29 capital reserve fund may not be withdrawn if the withdrawal would

reduce the amount in the capital reserve fund to less than the capital reserve fund requirement, except for the purpose of making payment, when due, of principal, interest, or redemption premiums on the bonds when other money of the corporation is not available for the payments. Income or interest earned by, or increment to, a capital reserve fund, from the investment of all or part of the fund, may be transferred by the corporation to other funds or accounts of the corporation if the transfer does not reduce the amount of the capital reserve fund below the capital reserve fund requirement.

(b) If the board decides to issue bonds secured by a capital reserve fund, the bonds may not be issued if the amount in the capital reserve fund is less than the capital reserve fund requirement, unless the corporation, at the time of issuance of the bonds, pledges to deposit in the capital reserve fund from the proceeds of the bonds to be issued or from other sources, an amount that, together with the amount then in the fund, is not less than the capital reserve fund requirement.

(c) In computing the amount of a capital reserve fund for the purpose of this section, securities in which all or a portion of the fund is invested and credit facilities deposited in or credited to a capital reserve fund under (f) of this section shall be valued by a reasonable method established by the board by resolution. Valuation shall include the amount of interest earned or accrued as of the date of valuation.

(d) By January 15 of each year, the chairman of the board shall certify in writing to the governor and the legislature the amount, if any, required to restore a capital reserve fund to the capital reserve fund requirement. The legislature may appropriate to the corporation the amount certified by the chairman. The corporation shall deposit

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1 the amounts appropriated under this subsection during a fiscal year in
2 the proper capital reserve fund. This subsection does not create a
3 debt or liability of the state.

4 (e) The board may establish reserve funds, other than capital
5 reserve funds, to secure one or more issues of bonds of the corpo-
6 ration. The corporation may deposit in a reserve fund established
7 under this subsection the proceeds of sale of its bonds and other
8 money available from any other source. The corporation may allow a
9 reserve fund established under this subsection to be depleted without
10 complying with (d) of this section.

11 (f) The corporation may hold in a capital reserve fund, in lieu
12 of money and in satisfaction of all or part of a capital reserve fund
13 requirement, irrevocable letters of credit issued by a commercial
14 bank, surety bonds, insurance policies, and similar credit facilities.

15 (g) In this section, "capital reserve fund requirement" means
16 the amount required to be on deposit in the capital reserve fund as of
17 the date of computation as determined by resolution of the board.

18 Sec. 14.42.250. VALIDITY OF PLEDGE. It is the intention of the
19 legislature that a pledge made in respect to bonds of the corporation
20 shall be valid and binding from the time the pledge is made; that the
21 money or property so pledged and thereafter received by the corpora-
22 tion shall immediately be subject to the lien of the pledge without
23 physical delivery or further act; and that the lien of the pledge
24 shall be valid and binding as against all parties having claims of any
25 kind in tort, contract, or otherwise against the corporation irrespec-
26 tive of whether the parties have notice. Neither the resolution,
27 trust agreement, nor other instrument by which a pledge is created
28 need be recorded or filed under the provisions of the Uniform Commer-
29 cial Code (AS 45.01 - AS 45.09) to be valid, binding, or effective.

Sec. 14.42.260. NONLIABILITY ON BONDS. (a) The members of the board and individuals executing the bonds of the corporation are not liable personally on the bonds or subject to personal liability or accountability by reason of the issuance of the bonds.

(b) The bonds issued by the corporation do not constitute an indebtedness or other liability of the state or of a political subdivision of the state, except the corporation, but shall be payable solely from the income and receipts or other funds or property of the corporation. The corporation may not pledge the faith or credit of the state, or of a political subdivision of the state, except the corporation, to the payment of a bond. Issuance of a bond by the corporation does not directly, indirectly, or contingently obligate the state or a political subdivision of the state to apply money from, or levy or pledge any form of taxation whatever to the payment of the bond.

Sec. 14.42.265. UNDERWRITERS. The board may select one or more underwriters for its bonds in accordance with procedures

(1) for the award of a contract under AS 36.30.200 - 36.30.260; or

(2) adopted by regulations of the board that are based on the competitive principles of AS 36.30.200 - 36.30.260 and are adapted to the special needs of the corporation in the selling of its bonds as determined by the board.

Sec. 14.42.270. PLEDGE AND AGREEMENT OF STATE. The state pledges to and agrees with holders of bonds issued by the corporation that the state will not limit or alter the rights and powers vested in the corporation under AS 14.42.100 - 14.42.330 to fulfill the terms of a contract made by the corporation with the bondholders or in any way impair the rights and remedies of the bondholders until the bonds,

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1 together with the interest on them with interest on unpaid install-
2 ments of interest, and all costs and expenses in connection with an
3 action or proceeding by or on behalf of the bondholders, are fully met
4 and discharged. The corporation may include this pledge and agreement
5 of the state in a contract with bondholders.

6 Sec. 14.42.280. EXEMPTION FROM TAXATION. The real and personal
7 property of the corporation and its assets, income, and receipts are
8 declared to be the property of a political subdivision of the state
9 and devoted to an essential public and governmental function and
10 purpose, and the property, assets, income, receipts, and other in-
11 terests of the corporation are exempt from all taxes and special
12 assessments of the state or a political subdivision of the state,
13 including municipalities, school districts, public utility districts,
14 and other governmental units. Bonds of the corporation are declared
15 to be issued by a political subdivision of the state and for an essen-
16 tial public and governmental purpose, and the bonds, interest on them,
17 income from them, and transfer of them, and all assets, income, and
18 receipts pledged to pay or secure the payment of the bonds, or inter-
19 est on them, are exempt from taxation by or under the authority of the
20 state, except for inheritance and estate taxes and taxes on transfers
21 by or in contemplation of death.

22 Sec. 14.42.290. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. The
23 bonds of the corporation are securities in which public officers and
24 bodies of the state, municipalities, insurance companies, insurance
25 associations, other persons carrying on an insurance business, banks,
26 bankers, trust companies, savings banks, savings associations, build-
27 ing and loan associations, investment companies, other persons carry-
28 ing on a banking business, administrators, guardians, executors,
29 trustees, other fiduciaries, and other persons who are authorized to

invest in bonds or other obligations of the state, may properly and legally invest funds including capital in their control or belonging to them. Notwithstanding any other provisions of law, the bonds of the corporation are also securities that may be deposited with and may be received by public officers and bodies of the state and municipalities for any purpose for which the deposit of bonds or other obligations of the state is now or may be authorized.

Sec. 14.42.300. OPERATION OF CERTAIN STATUTES EXCEPTED. (a) The corporation is not a municipality as the term is defined in AS 01.10.060. Except as provided in AS 14.42.190, the corporation is not subject to AS 37. For all other purposes the corporation is a political subdivision and an instrumentality of the state.

(b) The funds, income, and receipts of the corporation are not money of the state, nor may real property in which the corporation has an interest be considered land owned in fee by the state or to which the state may become entitled or in any way land belonging to the state, or state land referred to in art. VIII of the Alaska Constitution.

Sec. 14.42.310. ANNUAL AUDIT. The financial records of the corporation shall be audited annually by the legislative auditor or by a certified public accountant approved by the legislative auditor. The legislative auditor may prescribe the form and content of the financial records of the corporation and shall have access to these records at any time.

Sec. 14.42.500. DEFINITIONS. In AS 14.42.100 - 14.42.500,

(1) "board" means the board of directors of the corporation;

(2) "corporation" means the Alaska Student Loan Corporation.

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* Sec. 3. AS 14.43.090(a) is amended to read:

(a) There is created a scholarship revolving loan fund. The fund shall be used to make scholarship loans to students selected under AS 14.43.090 - 14.43.160, [AND] to pay the costs of collecting scholarship [STUDENT] loans that are in default if those costs are not recovered from the student, and to pay the costs of administering the fund. Unless the instrument evidencing the scholarship loan has been sold or assigned to the Alaska Student Loan Corporation, [. ALL] repayments of principal and interest on a scholarship loan [LOANS] shall be paid into the scholarship revolving loan fund. If money estimated to be available [FROM SCHOLARSHIP LOAN REPAYMENTS] is inadequate to fully fund estimated scholarship loans for any fiscal year, additional funding from the general fund may be requested and appropriated for that year.

* Sec. 4. AS 14.43.090 is amended by adding a new subsection to read:

(d) The student financial aid committee created under AS 14.43.-095 may sell or assign notes and other instruments evidencing scholarship loans to the Alaska Student Loan Corporation and enter into agreements with the corporation relating to loans, the administration of the student loan fund created under AS 14.42.210, and the payment of and security for bonds of the corporation. Proceeds from the sale or assignment of notes and other instruments shall be deposited in the scholarship revolving loan fund.

* Sec. 5. AS 14.43.120(d) is amended to read:

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

- (1) for more than five years of undergraduate study;
- (2) for more than five years of graduate study;
- (3) for more than a total of 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 exceeds the program default rate by more than 150 percent as defined by regulation.

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

(h) Security may not be required for a loan [THE LOANS]; however, provision shall be made for payment of all [ATTORNEY] fees and costs [OF COURT IF EITHER OR BOTH ARE] incurred in collection of the amount owed on the loan if it becomes delinquent or in default.

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

(i) If a loan is in default, the commission shall notify the borrower that repayment of the remaining balance is accelerated and due by sending the borrower a notice by registered or certified mail. The permanent fund dividend of a borrower may be taken under AS 43.-23.065(b)(4) to satisfy the balance due on the defaulted loan.

* Sec. 8. AS 14.43.120(1) is amended to read:

(1) The state shall [WILL] pay the interest on that portion of a loan that is not federally insured during

(1) the period in which the borrower is a full-time student [BEFORE THE BEGINNING OF THE REPAYMENT PERIOD OF THE LOAN];

(2) deferments under (k) of this section.

* Sec. 9. AS 14.43.120 is amended by adding a new subsection to read:

(r) The rate of interest, time of payment of an installment of principal or interest, or other terms of a scholarship loan may be modified if required to establish or maintain tax-exempt status under 26 U.S.C. 103 (Internal Revenue Code of 1986), as amended, for the interest on bonds issued by the Alaska Student Loan Corporation.

* Sec. 10. AS 14.43.125 is amended by adding a new subsection to read:

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1 (c) A person may not be awarded a scholarship loan under AS 14.-
2 43.090 - 14.43.160 if a family education loan is made on behalf of
3 that person under AS 14.43.710 - 14.43.790 or if that person receives
4 a teacher scholarship loan under AS 14.43.600 - 14.43.700 for the same
5 school year.

6 * Sec. 11. AS 14.43.255(a) is amended to read:

7 (a) There is created a memorial scholarship revolving loan fund.
8 The fund shall be used to provide educational scholarship loans to
9 students selected under AS 14.43.250 - 14.43.325. Unless the instru-
10 ment evidencing the memorial scholarship loan has been sold or as-
11 signed to the Alaska Student Loan Corporation, repayments [REPAYMENTS]
12 of a loan [LOANS MADE UNDER AS 14.43.250(b)(1) - (4)] shall be de-
13 posited into the memorial scholarship revolving loan fund and [REPAY-
14 MENTS OF LOANS MADE UNDER AS 14.43.250(b)(5) SHALL BE DEPOSITED INTO
15 THE SCHOLARSHIP REVOLVING LOAN FUND CREATED UNDER AS 14.43.090.
16 REPAYMENTS] shall be used to make new loans.

17 * Sec. 12. AS 14.43.255 is amended by adding a new subsection to read:

18 (c) The student financial aid committee created under AS 14.43.-
19 095 may sell or assign notes and other instruments evidencing memorial
20 scholarship loans to the Alaska Student Loan Corporation and enter
21 into agreements with the corporation relating to loans, the adminis-
22 tration of the student loan fund created under AS 14.42.210, and the
23 payment of and security for bonds of the corporation. Proceeds from
24 the sale or assignment of a note or other instrument shall be de-
25 posited in the appropriate memorial scholarship loan fund account.

26 * Sec. 13. AS 14.43.620 is amended to read:

27 Sec. 14.43.620. TEACHER SCHOLARSHIP REVOLVING LOAN FUND. There
28 is created a teacher scholarship revolving loan fund. The fund shall
29 be used to make scholarship loans to students selected under

AS 14.43.600 - 14.43.700. Unless the instrument evidencing the teacher scholarship loan has been sold or assigned to the Alaska Student Loan Corporation, [ALL] repayments of principal and interest on a teacher scholarship loan [LOANS] shall be paid into the teacher scholarship revolving loan fund and shall be used to make new teacher scholarship loans. If estimated funds available [FROM TEACHER SCHOLARSHIP LOAN REPAYMENTS] are inadequate to fully fund estimated teacher scholarship loans for any fiscal year, additional funding from the general fund may be requested and appropriated for that year.

* Sec. 14. AS 14.43.620 is amended by adding a new subsection to read:

(b) The student financial aid committee created under AS 14.43.-095 may sell or assign notes and other instruments evidencing teacher scholarship loans to the Alaska Student Loan Corporation and enter into agreements with the corporation relating to loans, the administration of the student loan fund created under AS 14.42.210 and the payment of and security for bonds of the corporation. Proceeds from the sale or assignment of the notes or other instruments shall be deposited in the teacher scholarship revolving loan fund.

* Sec. 15. AS 14.43.640(b) is amended to read:

(b) If a borrower meets the conditions provided in (a) of this section and is employed as a teacher in a rural elementary or secondary school, the portion of the loan that shall be paid by the state [, NOTWITHSTANDING AS 14.43.120(j),] is the following percentages of the total loan received plus interest up to a total of 100 percent of the total loan:

- (1) one year employment, 15 percent;
- (2) two years employment, an additional 15 percent;
- (3) three years employment, an additional 15 percent;
- (4) four years employment, an additional 25 percent;

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(5) over four years employment, an additional 30 percent.

* Sec. 16. AS 14.43.650(c) is repealed and reenacted 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 school year.

* Sec. 17. AS 14.43 is amended by adding new sections to read:

ARTICLE 8. ALASKA FAMILY EDUCATION LOAN PROGRAM.

Sec. 14.43.710. PROGRAM ESTABLISHED. The Alaska family education loan program is established to provide low interest loans to families to assist in paying the costs of postsecondary education for family members.

Sec. 14.43.720. FAMILY EDUCATION LOAN ACCOUNT. (a) The family education loan account is created within the scholarship revolving loan fund (AS 14.43.090). The account shall be used to make family education loans to families selected under AS 14.43.710 - 14.43.790, to pay the costs of collecting family education loans that are in default if those costs are not recovered from the family, and to pay the costs of administering the account. Unless the instrument evidencing the family education loan has been sold or assigned to the Alaska Student Loan Corporation, repayments of principal and interest on family education loans shall be paid into the family education loan account. If estimated funds available from family education loan repayments are inadequate to fully fund estimated family education loans in a fiscal year, additional funding from the general fund may be requested and appropriated for that year.

(b) The student financial aid committee created under AS 14.43.-095 may sell or assign notes and other instruments evidencing family

education loans to the Alaska Student Loan Corporation and enter into agreements with the corporation relating to loans, the administration of the student loan fund created under AS 14.42.210, and the payment of and security for bonds of the corporation. Proceeds from the sale or assignment of notes and other instruments shall be deposited in the family education loan account.

Sec. 14.43.730. ADMINISTRATION. The family education loan program shall be administered by the student financial aid committee (AS 14.43.095) under regulations adopted by the committee.

Sec. 14.43.740. LOAN TERMS AND CONDITIONS. (a) The provisions of AS 14.43.100, 14.43.110, 14.43.115, 14.43.120(a) - (d), (i), (m), and (r), and 14.43.135 apply to a loan made under AS 14.43.710 - 14.43.790.

(b) The provisions of AS 14.43.120(p) apply to a loan made under AS 14.43.710 - 14.43.790 with respect to the family member on whose behalf a loan is made.

(c) Interest on a loan made under AS 14.43.710 - 14.43.790 is at a rate of five percent a year unless the loan is in default. Interest on a loan that is in default is 10 percent a year.

(d) Repayment of the principal and interest on a loan made under AS 14.43.710 - 14.43.790 begins on the first of the month immediately following loan disbursement. The loan may be cancelled without prejudice at any time before actual disbursement. The loan shall provide for repayment of the total amount owed in periodic installments in not more than 10 years from the commencement of repayment. If the commission and the borrower agree to a different repayment schedule, the borrower shall repay the loan in accordance with the agreement.

(e) Provision shall be made for payment by the borrower of fees and costs incurred in collection of delinquent or defaulted loans.

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1 Sec. 14.43.750. ELIGIBILITY. (a) A person may apply for and
2 obtain a family education loan on behalf of a family member if

3 (1) the borrower is a resident of the state at the time of
4 application for the loan; for purposes of this paragraph, a borrower
5 qualifies as a resident of the state if the borrower has been phys-
6 ically present in the state for at least two years immediately before
7 the time of application for the loan;

8 (2) the family member has been claimed as a dependent for
9 federal tax purposes by the borrower for the tax year immediately
10 before the time of application and

11 (A) is enrolled as a full-time student in a career
12 education, associate, baccalaureate, or graduate degree program;
13 or

14 (B) is a graduate of a high school or the equivalent,
15 or scheduled for graduation from a high school within six months,
16 with sufficient credits to be admitted to a career education
17 program or to an accredited college or university; and

18 (3) neither the borrower nor the family member is delin-
19 quent or in default on a previously awarded student loan from the
20 state.

21 (b) A family education loan may not be made on behalf of a
22 family member if the family member receives a scholarship loan under
23 AS 14.43.090 - 14.43.160 or a teacher scholarship loan under AS 14.-
24 43.600 - 14.43.700 for the same school year.

25 Sec. 14.43.790. DEFINITIONS. (a) In AS 14.43.710 - 14.43.790

26 (1) "default" means a loan that is 120 days or more past
27 due in repayment;

28 (2) "delinquent" means a loan that is 60 days or more past
29 due in repayment.

(b) The definitions set out in AS 14.43.160 apply to AS 14.43.-710 - 14.43.790.

* Sec. 18. AS 43.23 is amended by adding a new section to read:

Sec. 43.23.067. CLAIMS OF DEFAULTED SCHOLARSHIP LOANS. (a) AS 09.38 does not apply to permanent fund dividends taken under AS 14.43.120(i). Notwithstanding AS 09.35, execution on a claim under AS 14.43.120(i) is accomplished by delivering a certified claim to the department containing the following information:

(1) the name and social security number of the individual whose dividend is being claimed;

(2) the amount the individual owes on the scholarship loan;
and

(3) a statement that

(A) the debt has not been contested, or, if contested, that the issue has been resolved in favor of the Alaska Commission on Postsecondary Education; and

(B) if the debt has been contested and resolved in favor of the Alaska Commission on Postsecondary Education, no appeal is pending, the time limit for filing an appeal has expired, or the appeal has been resolved in favor of the commission.

(b) Upon receipt of a claim under (a) of this section the department shall notify the individual of the claim. The notice shall be sent to the address provided in the individual's permanent fund dividend application and must provide the following information:

(1) the amount of the claim; and

(2) notice that the amount of the permanent fund dividend that does not exceed the amount of the claim shall be paid to the Alaska Commission on Postsecondary Education unless the commission

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1 releases the claim or the individual requests a hearing within 30 days
2 after the date the notice is sent by the department.

3 (c) AS 44.62.330 - 44.62.630 apply to a hearing requested by an
4 individual under (b)(2) of this section. If a request for a hearing
5 is not received by the department within the required time limit, the
6 department shall pay to the Alaska Commission on Postsecondary Educa-
7 tion the amount of the permanent fund dividend that does not exceed
8 the amount of the claim.

9 * Sec. 19. AS 14.43.120(j) and 14.43.120(o) are repealed.

10 * Sec. 20. This Act takes effect July 1, 1987.

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