

CS FOR SENATE BILL NO. 123(FIN) am H

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Amended: 5/6/95

Offered: 4/26/95

Sponsor(s): SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to student loan programs and fees for review of postsecondary
2 education institutions; relating to a postsecondary student exchange program
3 administered by the Western Interstate Commission on Higher Education; and
4 providing for an effective date."

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

6 * **Section 1.** AS 14.43.110 is repealed and reenacted to read:

7 Sec. 14.43.110. STUDENT LOANS. (a) In a school year, the commission
8 may make a loan not to exceed

9 (1) \$8,500 to a full-time undergraduate student or \$5,000 to a half-time
10 undergraduate student attending a college or university if the full- or half-time student
11 is otherwise eligible under AS 14.43.125;

12 (2) \$9,500 to a full-time graduate student or \$4,500 to a half-time
13 graduate student attending a college or university if the full- or half-time graduate
14 student is otherwise eligible under AS 14.43.125;

1 (3) \$6,500 to a full-time student or \$3,000 to a half-time student if the
2 full- or half-time student is attending a career education program that is 20 or more
3 weeks in length and is otherwise eligible under AS 14.43.125;

4 (4) \$5,000 to a full-time student or \$2,000 to a half-time student if the
5 full- or half-time student is attending a career education program that is less than 20,
6 but at least 6 weeks in length and is otherwise eligible under AS 14.43.125.

7 (b) The commission may make a loan for a summer term, even if the total
8 loan for the school year exceeds the limit imposed under (a) of this section if the loan
9 for the summer term is counted against the limit imposed under (a) of this section for
10 the following school year.

11 (c) The commission shall adopt regulations establishing a minimum amount
12 for which a loan may be made.

13 * **Sec. 2.** AS 14.43.120(a) is amended to read:

14 (a) Proceeds from a scholarship loan to a full-time student may only be used
15 for books, tuition and required fees, loan **origination** [GUARANTEE] fees, and room
16 and board. Proceeds from a scholarship loan to a half-time student may only be used
17 for books, tuition and required fees, and loan **origination** [GUARANTEE] fees.

18 * **Sec. 3.** AS 14.43.120(b) is amended to read:

19 (b) Scholarship loans may only be used to attend a

20 (1) career education program **operating on a sound fiscal basis** that
21 has [BEEN]

22 (A) **operated** [APPROVED BY THE COMMISSION BEFORE
23 JULY 1, 1986;

24 (B) OPERATING] for two years before the borrower attends;
25 **and**

26 **(B) submitted an executed program participation agreement**
27 **as required by the commission;** [OR

28 (C) OPERATING FOR ONE YEAR BEFORE THE
29 BORROWER ATTENDS AND THE COMMISSION DETERMINES THE
30 PROGRAM IS OPERATING ON A FISCALLY SOUND BASIS;] or

31 (2) a college or university that

1 (A) has operated [BEEN APPROVED BY THE
2 COMMISSION BEFORE JULY 1, 1986, OR HAS BEEN OPERATING] for
3 at least two years before the borrower attends;

4 (B) is accredited by a national or regional accreditation
5 association recognized by the Council on Postsecondary Accreditation or is
6 approved by the commission; [AND]

7 (C) if the loans are federally insured, is approved by the United
8 States Secretary of Education;

9 (D) is a degree granting institution; and

10 (E) has submitted an executed program participation
11 agreement as required by the commission.

12 * Sec. 4. AS 14.43.120(d) is amended to read:

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

14 (1) for more than a total of \$42,500 for [FIVE YEARS OF]
15 undergraduate study;

16 (2) for more than a total of \$47,500 for [FIVE YEARS OF] graduate
17 study;

18 (3) for more than a combined total of \$60,000 for [EIGHT YEARS
19 OF] undergraduate and graduate study;

20 (4) to attend an institution, other than a nonprofit institution, if the total
21 amount of scholarship loans made to students to attend that institution exceeds
22 \$100,000 and the default rate on those loans exceeds the program default rate by more
23 than 150 percent as defined by regulation.

24 * Sec. 5. AS 14.43.120(e) is repealed and reenacted to read:

25 (e) Interest on a scholarship loan accrues from the time the loan is disbursed;
26 however, the state shall pay the interest while the borrower continues to be enrolled
27 under (c) of this section.

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

29 (g) A borrower's obligation to commence repayment [REPAYMENT] of
30 the principal and interest on the loan begins six months [NOT LATER THAN ONE
31 YEAR] after the borrower is no longer enrolled under (c) of this section. The

1 **borrower shall repay** [BORROWER'S STUDIES ARE TERMINATED. THE LOAN
2 SHALL PROVIDE FOR REPAYMENT OF] the total amount owed in periodic
3 installments **of at least \$50 a month over a period of** [IN] not more than **15** [10]
4 years from the commencement of **the** repayment **obligation** [IF THE LOAN IS TO
5 A FULL-TIME STUDENT, OR IN NOT MORE THAN FIVE YEARS FROM THE
6 COMMENCEMENT OF REPAYMENT IF THE LOAN IS TO A HALF-TIME
7 STUDENT, EXCEPT AS PROVIDED IN (k) AND (m) OF THIS SECTION]. If the
8 commission and the borrower agree to a different repayment schedule, the borrower
9 shall repay the loan in accordance with the agreement. A borrower may make
10 payments earlier than required by this subsection **or the agreement.**

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

12 (h) Security may not be required for a loan; however, a loan **origination**
13 [GUARANTEE] fee, as specified in (u) of this section, shall be **deducted**
14 [CHARGED] at the time that the loan is **disbursed** [AWARDED]. Additionally, **the**
15 **borrower shall pay** [PROVISION SHALL BE MADE FOR PAYMENT OF] all fees
16 and costs incurred in collection [OF THE AMOUNT OWED] on the loan if it becomes
17 delinquent or in default.

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

19 (i) If a loan is in default, the commission
20 (1) shall notify the borrower that, if the borrower has an occupational
21 license issued under AS 08, the license may not be renewed under AS 08.02.025 and
22 that repayment of the remaining balance is accelerated and due by **mailing**
23 [SENDING] the borrower a notice **at the most recent address provided to the**
24 **commission by the borrower** [BY REGISTERED OR CERTIFIED MAIL];
25 (2) may take the borrower's permanent fund dividend under
26 AS 43.23.065(b)(3) to satisfy the balance due on **a** [THE] defaulted loan; and
27 (3) shall provide notice of the default to the Department of Commerce
28 and Economic Development, if the loan recipient is licensed under AS 08.

29 * **Sec. 9.** AS 14.43.120(k) is amended to read:

30 (k) **A borrower's obligation to make periodic payments** [PERIODIC
31 INSTALLMENTS] of principal shall be deferred, but **the borrower's obligation to**

1 pay interest shall continue unless the state pays the interest by appropriation
2 under (t) [ACCRUE AND BE PAID UNLESS THE BORROWER IS ELIGIBLE FOR
3 INTEREST PAYMENT BENEFITS UNDER (l)] of this section, during any of the
4 following periods:

5 (1) [IF THE BORROWER RECEIVED A LOAN TO ATTEND AS A
6 FULL-TIME STUDENT,] return to full-time student status in good standing in a career
7 education program, college, or university that meets the requirements under (b) of this
8 section;

9 (2) if the borrower received a loan to attend as a half-time student,
10 return to at least half-time student status in good standing in

11 (A) a career education program, college, or university in the
12 state that meets the requirements under (b) of this section, or

13 (B) a career education program, college, or university that meets
14 the requirements under (b) of this section, and the borrower is physically
15 present in the state while attending the career education program, college, or
16 university; a borrower is not eligible for deferral under this paragraph for a
17 period longer than eight years;

18 (3) serving an initial period of up to three [SIX] years on active duty
19 as a member of the armed forces of the United States;

20 (4) serving, for up to three years, as a full-time volunteer under the
21 Peace Corps Act;

22 (5) serving, for up to three years, as a full-time volunteer under the
23 Domestic Volunteer Service Act of 1973;

24 (6) serving, for up to two years, as a full-time volunteer under the
25 National and Community Services Trust Act of 1993 (Americorps);

26 (7) [6] for a one-time period up to 12 months in which the borrower
27 is seeking and unable to find employment in the United States; or

28 (8) [7] during the period of disability if, after the loan is disbursed,
29 the borrower becomes totally [50 PERCENT OR MORE] disabled as certified by
30 competent medical authority.

31 * **Sec. 10.** AS 14.43.120(l) is amended to read:

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

3 (1) the period while [IN WHICH] the borrower continues to be
4 enrolled under (c) of this section [IS A FULL-TIME OR HALF-TIME STUDENT];
5 and

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

7 * **Sec. 11.** AS 14.43.120(m) is amended to read:

8 (m) In case of hardship, the commission may extend repayment of a loan for
9 an additional period of up to five years [IN INCREMENTS NO LONGER THAN 12
10 MONTHS EACH].

11 * **Sec. 12.** AS 14.43.120(q) is amended to read:

12 (q) For the purposes of this section, a loan is in default if a loan payment is
13 180 [120] or more days past due.

14 * **Sec. 13.** AS 14.43.120(t) is amended to read:

15 (t) Payment of interest under (l) of this section and forgiveness
16 [FORGIVENESS] under (s) of this section are [IS] subject to appropriation by the
17 legislature. Money obtained from the sale of bonds by the Student Loan Corporation
18 under AS 14.42.220 may not be appropriated for the payment of interest or the
19 forgiveness of loans.

20 * **Sec. 14.** AS 14.43.120(u) is amended to read:

21 (u) The commission by regulation shall set a [A] loan origination
22 [GUARANTEE] fee, not to exceed five [OF ONE] percent of the total scholarship
23 loan amount, to [SHALL] be assessed upon a scholarship loan that is funded from the
24 student loan fund of the Alaska Student Loan Corporation. The loan origination
25 [GUARANTEE] fee shall be deducted at the time [ADDED AS A FINANCE
26 CHARGE TO] the [TOTAL] loan is disbursed [AMOUNT AWARDED,
27 NOTWITHSTANDING THE LOAN LIMITS SET OUT AT AS 14.43.110 AND
28 14.43.115]. Subject to appropriation, the loan origination [GUARANTEE] fees shall
29 be deposited into an origination [A GUARANTEE] fee account within the student
30 loan fund of the Alaska Student Loan Corporation, and subsequently used
31 [TRANSFERRED] by the corporation [COMMISSION TO LOAN ACCOUNTS

1 WITHIN THE STUDENT LOAN FUND] to offset losses incurred [DUE TO
2 STUDENT LOAN DEBT CANCELLATION] as a result of death, disability, **default**,
3 or bankruptcy of the **borrower** [STUDENT].

4 * **Sec. 15.** AS 14.43.125(a) is amended to read:

5 (a) A person may apply for and obtain a scholarship loan if the person

6 (1) is

7 (A) enrolled as a full-time student in a career education,
8 associate, baccalaureate, or graduate degree program;

9 (B) enrolled as a half-time student in a career education,
10 associate, baccalaureate, or graduate degree program [IN]

11 (i) **in** the state; or

12 (ii) **out of the state** [A CAREER EDUCATION,
13 ASSOCIATE, BACCALAUREATE, OR GRADUATE DEGREE
14 PROGRAM] and is physically present in **this** [THE] state while
15 attending **that** [THE CAREER EDUCATION, ASSOCIATE,
16 BACCALAUREATE, OR GRADUATE DEGREE] program; or

17 (C) a graduate of a high school or the equivalent, or scheduled
18 for graduation from a high school within six months, with sufficient credits to
19 be admitted to a career education program or to an accredited college or
20 university;

21 (2) is not delinquent or in default on a previously awarded scholarship
22 loan; and

23 (3) is a resident of the state at the time of application for the loan; for
24 purposes of this section, a person qualifies as a resident of the state if at the time of
25 application for the loan the person

26 (A) has been physically present in the state for at least **one year**
27 [TWO YEARS] immediately before the time of application for the loan;

28 (B) is dependent on a parent or guardian for care, the parent or
29 guardian has been present in the state for at least **one year** [TWO YEARS]
30 immediately before the time of application for the loan, and the person has
31 been present in the state for at least one year of the immediately preceding five

1 years except that the commission may by a two-thirds vote, acting upon a
2 written appeal by the person, grant an exemption to the requirement that the
3 person has been present in the state for one year of the immediately preceding
4 five years;

5 (C) has been physically present in the state [, OR IS A
6 DEPENDENT OF A PARENT OR GUARDIAN WHO HAS BEEN
7 PHYSICALLY PRESENT IN THE STATE,] for at least **one year** [TWO
8 YEARS] immediately before the applicant was absent from the state and the
9 absence is due solely to

10 (i) serving an initial period of up to **three** [SIX] years
11 on active duty as a member of the armed forces of the United States;

12 (ii) serving for up to three years as a full-time volunteer
13 under the Peace Corps Act;

14 (iii) serving for up to three years as a full-time volunteer
15 under the Domestic Volunteer Service Act of 1973;

16 (iv) required medical care for the applicant or the
17 applicant's immediate family;

18 (v) being a person who otherwise qualifies as a resident
19 and is accompanying a spouse who qualifies as a resident under (i) -
20 (iv) of this paragraph; [OR]

21 **(vi) an absence allowed under (D)(i) - (iv) of this**
22 **paragraph; or**

23 (D) [HAS BEEN PHYSICALLY PRESENT IN THE STATE,
24 OR] is a dependent of a parent or guardian who has been physically present in
25 the state [,] for at least **one year** [TWO YEARS] immediately before [THE
26 APPLICANT OR] the parent or guardian was absent from the state and the
27 absence is due solely to

28 (i) participating in a foreign exchange student program
29 recognized by the commission;

30 (ii) attending a school as a full-time student;

31 (iii) full-time employment by the state;

1 (iv) being a member of or employed full-time by the
2 state's congressional delegation;

3 (v) being a person who otherwise qualifies as a resident
4 and is accompanying a spouse who qualifies as a resident under (i) -
5 (iv) of this paragraph;

6 (4) does not have a past due child support obligation established by
7 court order or by the child support enforcement division under AS 25.27.160 -
8 25.27.220 at the time of application; and

9 (5) has not, within the previous five years, had a scholarship loan
10 discharged or written off by the commission for any reason.

11 * **Sec. 16.** AS 14.43.125(c) is amended to read:

12 (c) A person may not be awarded a scholarship loan under AS 14.43.090 -
13 14.43.160 [IF A FAMILY EDUCATION LOAN IS MADE ON BEHALF OF THAT
14 PERSON UNDER AS 14.43.710 - 14.43.790 OR] if that person receives a teacher
15 scholarship loan under AS 14.43.600 - 14.43.700 for the same **period of attendance**
16 [SCHOOL YEAR].

17 * **Sec. 17.** AS 14.43.125 is amended by adding a new subsection to read:

18 (d) A person incarcerated full-time in a correctional facility may not be
19 awarded a scholarship loan under AS 14.43.090 - 14.43.160 if the person's scheduled
20 release date is more than two months after the scheduled completion date of the career
21 education or degree program for which the loan is requested. In this subsection,
22 "correctional facility" has the meaning given in AS 33.30.901.

23 * **Sec. 18.** AS 14.43.150 is amended by adding a new subsection to read:

24 (d) An assignment of wages authorized under this section that is made under
25 court order has priority as against an attachment, execution, or other assignment,
26 except for an assignment for payment of child support under AS 25.27.070, restitution
27 to a crime victim authorized under AS 12.55.045, or as otherwise ordered by the court.

28 * **Sec. 19.** AS 14.43.300(g) is amended to read:

29 (g) **The commission by regulation shall set a** [A] loan **origination**
30 [GUARANTEE] fee, **not to exceed five** [OF ONE] percent of the total memorial
31 scholarship loan amount, **to** [SHALL] be assessed upon a memorial scholarship loan.

1 The loan origination [GUARANTEE] fee shall be deducted at the time [ADDED
2 AS A FINANCE CHARGE TO] the [TOTAL] loan is disbursed [AMOUNT
3 AWARDED]. Subject to appropriation, the loan origination [GUARANTEE] fee shall
4 be deposited into an origination [A GUARANTEE] fee account within the memorial
5 scholarship revolving loan fund, and subsequently transferred by the commission to the
6 appropriate memorial scholarship accounts within the memorial scholarship revolving
7 loan fund to offset losses incurred due to loan debt cancellation as a result of death,
8 disability, or bankruptcy of the student.

9 * **Sec. 20.** AS 14.43.640 is amended by adding a new subsection to read:

10 (e) Teacher scholarship loans made to a student may not exceed a total of
11 \$37,500.

12 * **Sec. 21.** AS 14.43.650(c) is amended to read:

13 (c) A student may not be awarded a teacher scholarship loan under
14 AS 14.43.600 - 14.43.700 [IF A FAMILY EDUCATION LOAN IS MADE ON
15 BEHALF OF THE STUDENT UNDER AS 14.43.710 - 14.43.790 OR] if the student
16 receives a scholarship loan under AS 14.43.090 - 14.43.160 for the same period of
17 attendance [SCHOOL YEAR].

18 * **Sec. 22.** AS 14.43.740(a) is amended to read:

19 (a) The provisions of AS 14.43.100, 14.43.110, [14.43.115,] 14.43.120(a) - (d),
20 (i), (m), and (r) - (u), and 14.43.135 apply to a loan made under AS 14.43.710 -
21 14.43.790.

22 * **Sec. 23.** AS 14.43.790(a)(1) is amended to read:

23 (1) "default" means a loan that is 180 [120] days or more past due in
24 repayment;

25 * **Sec. 24.** AS 14.43 is amended by adding a new section to read:

26 Sec. 14.43.920. UNAUTHORIZED SCHOLARSHIPS, LOANS, AND
27 GRANTS. If a person receives a scholarship, loan, or grant under this title for which
28 the person is not eligible under the provisions of this title, the scholarship, loan, or
29 grant is void and the entire balance of money paid is immediately due to the
30 scholarship, loan, or grant fund. This section is in addition to any penalty that may
31 be imposed according to another provision of law.

1 * **Sec. 25.** AS 14.44.025 is amended to read:

2 Sec. 14.44.025. PROVISIONS OF SERVICES. State participation under
3 Articles VIII and XIII of the Western Regional Higher Education Compact shall be
4 limited to the provision of adequate services and facilities in the **professional fields**
5 **of study available through the Professional Student Exchange Program**
6 **administered by the Western Interstate Commission on Higher Education. The**
7 **Alaska Commission on Postsecondary Education shall establish funding priorities**
8 **under AS 14.44.035 for the available fields of study by analyzing student access**
9 **and state labor needs** [FIELDS OF LAW, DENTISTRY, MEDICINE,
10 OSTEOPATHY, PUBLIC HEALTH, VETERINARY MEDICINE, PHARMACY,
11 PHYSICAL THERAPY, OCCUPATIONAL THERAPY, OPTOMETRY, PODIATRY,
12 FORESTRY, ARCHITECTURE, GRADUATE NURSING, PETROLEUM
13 ENGINEERING, MARITIME TECHNOLOGY, AND GRADUATE LIBRARY
14 STUDIES].

15 * **Sec. 26.** AS 14.48.050 is amended by adding a new paragraph to read:

16 (10) establish fees for the review of institutions requesting approval for
17 participation in the scholarship loan program under AS 14.43.120(b)(2)(B).

18 * **Sec. 27.** AS 14.42.032; AS 14.43.115, and 14.43.750(b) are repealed.

19 * **Sec. 28.** TRANSITION. The Alaska Commission on Postsecondary Education may
20 proceed to adopt regulations necessary to implement this Act. The regulations take effect
21 under AS 44.62 (Administrative Procedure Act), but not before July 1, 1995.

22 * **Sec. 29.** APPLICABILITY. A borrower's obligation to pay interest on a student loan,
23 as required by AS 14.43.120(k), amended in sec. 9 of this Act, applies to a scholarship loan
24 disbursed after June 30, 1995.

25 * **Sec. 30.** Section 28 of this Act takes effect immediately under AS 01.10.070(c).

26 * **Sec. 31.** Except as provided in sec. 30 of this Act, this Act takes effect July 1, 1995.