

CONFERENCE CS FOR SENATE BILL NO. 123

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE CONFERENCE COMMITTEE

Offered: 5/11/95

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6 * **Section 1.** AS 14.43.110 is repealed and reenacted to read: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 30 or more
3 weeks in length and is otherwise eligible under AS 14.43.125;

4 (4) \$4,500 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 30,
6 but at least 20 weeks in length and is otherwise eligible under AS 14.43.125;

7 (5) \$3,500 to a full-time student or \$1,500 to a half-time student if the
8 full- or half-time student is attending a career education program that is less than 20
9 but more than 10 weeks in length and is otherwise eligible under AS 14.43.125;

10 (6) \$1,000 to a full-time student if the student is attending a career
11 education program that is at least six weeks but not more than 10 weeks in length and
12 is otherwise eligible under AS 14.43.125.

13 (b) The commission may make a loan for a summer term, even if the total
14 loan for the school year exceeds the limit imposed under (a) of this section if the loan
15 for the summer term is counted against the limit imposed under (a) of this section for
16 the following school year.

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

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

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

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

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

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

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

30 (B) **OPERATING**] for two years before the borrower attends;

31 **and**

1 (B) submitted an executed program participation agreement
2 as required by the commission; [OR

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

6 (2) a college or university that

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

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

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

15 (D) is a degree granting institution; and

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

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

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

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

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

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

26 (4) to attend an institution, other than a nonprofit institution, if the total
27 amount of scholarship loans made to students to attend that institution exceeds
28 \$100,000 and the default rate on those loans exceeds the program default rate by more
29 than 150 percent as defined by regulation.

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

31 (e) Interest on a scholarship loan accrues from the time the loan is disbursed;

1 however, the state shall pay the interest while the borrower continues to be enrolled
2 under (c) of this section.

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

4 (g) **A borrower's obligation to commence repayment** [REPAYMENT] of
5 the principal and interest on the loan begins **six months** [NOT LATER THAN ONE
6 YEAR] after the **borrower is no longer enrolled under (c) of this section.** **The**
7 **borrower shall repay** [BORROWER'S STUDIES ARE TERMINATED. THE LOAN
8 SHALL PROVIDE FOR REPAYMENT OF] the total amount owed in periodic
9 installments **of at least \$50 a month over a period of** [IN] not more than **15** [10]
10 years from the commencement of **the** repayment **obligation** [IF THE LOAN IS TO
11 A FULL-TIME STUDENT, OR IN NOT MORE THAN FIVE YEARS FROM THE
12 COMMENCEMENT OF REPAYMENT IF THE LOAN IS TO A HALF-TIME
13 STUDENT, EXCEPT AS PROVIDED IN (k) AND (m) OF THIS SECTION]. If the
14 commission and the borrower agree to a different repayment schedule, the borrower
15 shall repay the loan in accordance with the agreement. A borrower may make
16 payments earlier than required by this subsection **or the agreement.**

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

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

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

25 (i) If a loan is in default, the commission
26 (1) shall notify the borrower that, if the borrower has an occupational
27 license issued under AS 08, the license may not be renewed under AS 08.02.025 and
28 that repayment of the remaining balance is accelerated and due by **mailing**
29 [SENDING] the borrower a notice **at the most recent address provided to the**
30 **commission by the borrower** [BY REGISTERED OR CERTIFIED MAIL];
31 (2) may take the borrower's permanent fund dividend under

1 AS 43.23.065(b)(3) to satisfy the balance due on a [THE] defaulted loan; and

2 (3) shall provide notice of the default to the Department of Commerce
3 and Economic Development, if the loan recipient is licensed under AS 08.

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

5 (k) **A borrower's obligation to make periodic payments** [PERIODIC
6 INSTALLMENTS] of principal shall be deferred, but **the borrower's obligation to**
7 **pay** interest shall **continue unless the state pays the interest by appropriation**
8 **under (t)** [ACCRUE AND BE PAID UNLESS THE BORROWER IS ELIGIBLE FOR
9 INTEREST PAYMENT BENEFITS UNDER (l)] of this section, during any of the
10 following periods:

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

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

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

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

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

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

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

30 **(6) serving, for up to two years, as a full-time volunteer under the**
31 **National and Community Services Trust Act of 1993 (AmeriCorps);**

1 (7) [(6)] for a one-time period up to 12 months in which the borrower
2 is seeking and unable to find employment in the United States; or

3 (8) [(7)] during the period of disability if, **after the loan is disbursed,**
4 the borrower becomes **totally** [50 PERCENT OR MORE] disabled as certified by
5 competent medical authority.

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

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

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

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

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

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

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

18 (q) For the purposes of this section, a loan is in default if a loan payment is
19 **180** [120] or more days past due.

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

21 (t) **Payment of interest under (l) of this section and forgiveness**
22 [FORGIVENESS] under (s) of this section **are** [IS] subject to appropriation by the
23 legislature. Money obtained from the sale of bonds by the Student Loan Corporation
24 under AS 14.42.220 may not be appropriated for the **payment of interest or the**
25 forgiveness of loans.

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

27 (u) **The commission by regulation shall set a** [A] loan **origination**
28 [GUARANTEE] fee, **not to exceed five** [OF ONE] percent of the total scholarship
29 loan amount, **to** [SHALL] be assessed upon a scholarship loan that is funded from the
30 student loan fund of the Alaska Student Loan Corporation. The loan **origination**
31 [GUARANTEE] fee shall be **deducted at the time** [ADDED AS A FINANCE

1 CHARGE TO] the [TOTAL] loan is disbursed [AMOUNT AWARDED,
2 NOTWITHSTANDING THE LOAN LIMITS SET OUT AT AS 14.43.110 AND
3 14.43.115]. Subject to appropriation, the loan origination [GUARANTEE] fees shall
4 be deposited into an origination [A GUARANTEE] fee account within the student
5 loan fund of the Alaska Student Loan Corporation, and subsequently used
6 [TRANSFERRED] by the corporation [COMMISSION TO LOAN ACCOUNTS
7 WITHIN THE STUDENT LOAN FUND] to offset losses incurred [DUE TO
8 STUDENT LOAN DEBT CANCELLATION] as a result of death, disability, default,
9 or bankruptcy of the borrower [STUDENT].

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

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

12 (1) is

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

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

17 (i) in the state; or

18 (ii) out of the state [A CAREER EDUCATION,
19 ASSOCIATE, BACCALAUREATE, OR GRADUATE DEGREE
20 PROGRAM] and is physically present in this [THE] state while
21 attending that [THE CAREER EDUCATION, ASSOCIATE,
22 BACCALAUREATE, OR GRADUATE DEGREE] program; or

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

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

29 (3) is a resident of the state at the time of application for the loan; for
30 purposes of this section, a person qualifies as a resident of the state if at the time of
31 application for the loan the person

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

3 (B) is dependent on a parent or guardian for care, the parent or
4 guardian has been present in the state for at least one year [TWO YEARS]
5 immediately before the time of application for the loan, and the person has
6 been present in the state for at least one year of the immediately preceding five
7 years except that the commission may by a two-thirds vote, acting upon a
8 written appeal by the person, grant an exemption to the requirement that the
9 person has been present in the state for one year of the immediately preceding
10 five years;

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

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

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

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

22 (iv) required medical care for the applicant or the
23 applicant's immediate family;

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

27 (vi) an absence allowed under (D)(i) - (iv) of this
28 paragraph; or

29 (D) [HAS BEEN PHYSICALLY PRESENT IN THE STATE,
30 OR] is a dependent of a parent or guardian who has been physically present in
31 the state [,] for at least one year [TWO YEARS] immediately before [THE

1 APPLICANT OR] the parent or guardian was absent from the state and the
2 absence is due solely to

3 (i) participating in a foreign exchange student program
4 recognized by the commission;

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

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

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

9 (v) being a person who otherwise qualifies as a resident
10 and is accompanying a spouse who qualifies as a resident under (i) -
11 (iv) of this paragraph;

12 (4) does not have a past due child support obligation established by
13 court order or by the child support enforcement division under AS 25.27.160 -
14 25.27.220 at the time of application; and

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

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

18 (c) A person may not be awarded a scholarship loan under AS 14.43.090 -
19 14.43.160 [IF A FAMILY EDUCATION LOAN IS MADE ON BEHALF OF THAT
20 PERSON UNDER AS 14.43.710 - 14.43.790 OR] if that person receives a teacher
21 scholarship loan under AS 14.43.600 - 14.43.700 for the same period of attendance
22 [SCHOOL YEAR].

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

24 (d) A person incarcerated full-time in a correctional facility may not be
25 awarded a scholarship loan under AS 14.43.090 - 14.43.160. In this subsection,
26 "correctional facility" has the meaning given in AS 33.30.901.

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

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

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

2 (g) The commission by regulation shall set a [A] loan origination
3 [GUARANTEE] fee, not to exceed five [OF ONE] percent of the total memorial
4 scholarship loan amount, to [SHALL] be assessed upon a memorial scholarship loan.
5 The loan origination [GUARANTEE] fee shall be deducted at the time [ADDED
6 AS A FINANCE CHARGE TO] the [TOTAL] loan is disbursed [AMOUNT
7 AWARDED]. Subject to appropriation, the loan origination [GUARANTEE] fee shall
8 be deposited into an origination [A GUARANTEE] fee account within the memorial
9 scholarship revolving loan fund, and subsequently transferred by the commission to the
10 appropriate memorial scholarship accounts within the memorial scholarship revolving
11 loan fund to offset losses incurred due to loan debt cancellation as a result of death,
12 disability, or bankruptcy of the student.

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

14 (e) Teacher scholarship loans made to a student may not exceed a total of
15 \$37,500.

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

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

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

23 (a) The provisions of AS 14.43.100, 14.43.110, [14.43.115,] 14.43.120(a) - (d),
24 (i), (m), and (r) - (u), and 14.43.135 apply to a loan made under AS 14.43.710 -
25 14.43.790.

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

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

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

30 Sec. 14.43.920. UNAUTHORIZED SCHOLARSHIPS, LOANS, AND
31 GRANTS. If a person receives a scholarship, loan, or grant under this title for which

1 the person is not eligible under the provisions of this title, the scholarship, loan, or
2 grant is void and the entire balance of money paid is immediately due to the
3 scholarship, loan, or grant fund. This section is in addition to any penalty that may
4 be imposed according to another provision of law.

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

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

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

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

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

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

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

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

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