

HOUSE BILL NO. 485

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE

Introduced: 4/15/98

Referred: Health, Education and Social Services, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the powers and duties of the Alaska Commission on
2 Postsecondary Education; relating to terms and conditions of education loans; and
3 providing for an effective date."

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

5 * **Section 1.** AS 14.42.030(b) is repealed and reenacted to read:

6 (b) The commission shall

7 (1) administer the loan and grant programs under AS 14.43.090 -
8 14.43.790;

9 (2) administer the provisions of AS 14.48 (regulation of postsecondary
10 educational institutions); and

11 (3) resolve disputes that exist or arise under a consortium or other
12 cooperative agreement between institutions of public and private higher education in
13 the state.

14 * **Sec. 2.** AS 14.42.030(c) is amended to read:

1 (c) The commission may

2 (1) adopt regulations under AS 44.62 (Administrative Procedure
 3 Act) to carry out the purposes of AS 14.43.090 - 14.43.790 and AS 14.48, and
 4 AS 14.43.910 and 14.43.920 as they relate to the purposes of AS 14.43.090 -
 5 14.43.790;

6 (2) delegate to the staff or a subcommittee of the commission any
 7 duty imposed or power granted to the commission by AS 14.43 or AS 14.48 except
 8 its power to adopt regulations and its duty to consider appeals under
 9 AS 14.43.100(b) and AS 14.48.120;

10 (3) establish task forces, committees, or subcommittees, not necessarily
 11 consisting of commission members, to advise and assist the commission in carrying
 12 out its functions;

13 (4) [ASSIGNED BY STATE OR FEDERAL STATUTE. THE
 14 COMMISSION MAY] contract with [,] or use [,] existing institutions of higher
 15 education or other individuals or organizations to make studies, conduct surveys,
 16 submit recommendations, or otherwise contribute to the work of the commission;

17 (5) enter into agreements with government or postsecondary
 18 education officials of this state or another state to provide postsecondary
 19 educational services and programs to Alaska residents pursuing a medical
 20 education; an agreement with government or postsecondary education officials of
 21 another state must be limited to services and programs that are unavailable in
 22 Alaska; and

23 (6) establish fees for the review of an out-of-state institution that
 24 is requesting approval for participation in the Alaska student loan program or the
 25 Alaska family education loan program and that is not accredited by a national or
 26 regional accreditation association recognized by the Council on Recognition of
 27 Postsecondary Accreditation [. THE COMMISSION MAY APPOINT A
 28 COMMITTEE TO BE RESPONSIBLE FOR THE AREA OF STUDENT FINANCIAL
 29 AID].

30 * Sec. 3. AS 14.42.055 is amended to read:

31 **Sec. 14.42.055. Consortia.** All parties that are signatory to a consortium

1 agreement between the University of Alaska and a private university or college must
2 abide by a decision rendered by the commission when disagreements arise or exist
3 between the parties. For purposes of this section and **AS 14.42.030(b)(3)**
4 [AS 14.42.030(b)(6)], "consortium" means a cooperative arrangement between two or
5 more public or private institutions of higher education specified in agreements or
6 memoranda of understanding to permit sharing of facilities, instructional opportunities,
7 and other educational services in such a way that the integrity of each institution party
8 to the consortium is preserved while at the same time the institutions cooperatively
9 plan the academic calendar, scheduling, use of personnel and facilities, and educational
10 programs and offerings to the maximum advantage of the students and faculties of the
11 institutions that are parties to a consortium.

12 * **Sec. 4.** AS 14.42.200 is amended to read:

13 **Sec. 14.42.200. General powers.** In addition to other powers granted in this
14 chapter, the corporation may

15 (1) sue and be sued in its own name;

16 (2) adopt an official seal;

17 (3) adopt regulations under AS 44.62 (Administrative Procedure Act)
18 to carry out the purposes of this chapter;

19 (4) make and execute agreements, contracts, and other instruments
20 necessary or convenient in the exercise of the powers and functions of the corporation,
21 including contracts with a person or governmental entity;

22 (5) receive, administer, and comply with the conditions and
23 requirements respecting any appropriation, gift, grant, or donation of property or
24 money;

25 (6) borrow money as provided in this chapter to carry out its corporate
26 purposes and issue its obligations as evidence of the borrowing;

27 (7) include in a borrowing the amounts to pay financing charges,
28 interest on the obligations for a period not exceeding one year after the date on which
29 the corporation estimates funds will otherwise be available to pay the interest,
30 consultant, advisory, and legal fees, and other expenses necessary or incident to the
31 borrowing;

1 (8) invest or reinvest, subject to its contracts with noteholders and
2 bondholders, money held by the corporation as set out in AS 37.10.071;

3 (9) collect from a borrower amounts owed with respect to a
4 [STUDENT] loan **held by** the corporation [HAS PURCHASED];

5 (10) gather information on **postsecondary education financial**
6 **resources** [STUDENT LOANS] available to residents of Alaska and disseminate the
7 information to reasonably assure that qualified residents are aware of **those** financial
8 resources [AVAILABLE TO THOSE ATTENDING OR DESIRING TO ATTEND
9 INSTITUTIONS FOR WHICH LOANS MAY BE MADE UNDER AS 14.43.090 -
10 14.43.325, 14.43.600 - 14.43.700, OR 14.43.710 - 14.43.750];

11 (11) service [STUDENT] loans held by the corporation;

12 (12) purchase or participate in the purchase of **education** [STUDENT]
13 loans;

14 (13) contract in advance for the purchase or sale of **education**
15 [STUDENT] loans;

16 (14) sell or participate in the sale, either public or private and on terms
17 authorized by the board, of **education** [STUDENT] loans to the Student Loan
18 Marketing Association or to other purchasers;

19 (15) collect and pay reasonable fees and charges in connection with
20 **loan** [THE] purchase, sale, and servicing [OF STUDENT LOANS];

21 (16) enter into agreements with the federal government, including
22 guaranty agreements and supplemental guaranty agreements as described in the United
23 States Higher Education Act of 1965, as necessary to provide for the receipt by the
24 corporation of administrative allowances and other benefits available under the United
25 States Higher Education Act of 1965;

26 (17) administer federal money allotted to the state involving insured
27 **education** [STUDENT] loans and related administrative costs and other matters;

28 (18) enter into agreements with the **commission** [ALASKA
29 COMMISSION ON POSTSECONDARY EDUCATION] relating to **education**
30 [STUDENT] loans, the administration of the **education** [STUDENT] loan fund created
31 under AS 14.42.210, and the payment of and security for bonds of the corporation;

1 (19) to the extent permitted under contracts with **bondholders** [BOND
2 HOLDERS], consent to the modification of the rate of interest, time of payment of an
3 installment of principal or interest, or other terms of a [STUDENT] loan **held**
4 [PURCHASED] by the corporation;

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

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

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

12 (23) do all acts necessary, convenient, or desirable to carry out the
13 powers expressly granted or necessarily implied in AS 14.42.100 - 14.42.390.

14 * **Sec. 5.** AS 14.42.210 is amended to read:

15 **Sec. 14.42.210. Education** [STUDENT] **loan fund.** (a) The **education**
16 [STUDENT] loan fund is established in the corporation. The **education** [STUDENT]
17 loan fund is a trust fund to be used to carry out the purposes of AS 14.42.100 -
18 14.42.390, **AS 14.43.090 - 14.43.160** [AS 14.43.090 - 14.43.325], 14.43.600 -
19 14.43.700, and 14.43.710 - 14.43.750. The fund consists of money or assets
20 appropriated or transferred to the corporation for the fund and money or assets
21 deposited in it by the corporation. The corporation may establish separate accounts
22 in the fund.

23 (b) Money and other assets of the **education** [STUDENT] loan fund may be
24 used to secure bonds of the corporation, **pay the costs of administration of the fund,**
25 **invest** [INVESTED] in **education** [STUDENT] loans and investments under
26 AS 37.10.071, **fund** [AND USED TO PURCHASE] loans approved under
27 **AS 14.43.090 - 14.43.160** [AS 14.43.090 - 14.43.325], 14.43.600 - 14.43.700, or
28 14.43.710 - 14.43.750, **and pay the costs of administering the loans and collecting**
29 **delinquent loans if those costs are not recovered from the borrower.**

30 (c) The **education** [STUDENT] loan fund shall be administered by the
31 **commission** [ALASKA COMMISSION ON POSTSECONDARY EDUCATION]. The

1 corporation and the commission may enter into agreements relating to the
 2 administration of the fund. The corporation may assign its rights under the agreements
 3 for the benefit and security of holders of its bonds.

4 * **Sec. 6.** AS 14.42.230 is amended to read:

5 **Sec. 14.42.230. Trust indentures and trust agreements.** An issue of bonds
 6 by the corporation may be secured by a trust indenture or trust agreement between the
 7 corporation and a corporate trustee, which may be a trust company, bank, or national
 8 banking association, with corporate trust powers, located inside or outside the state, or
 9 by a secured loan agreement or other instrument or under a resolution giving powers
 10 to a corporate trustee by means of which the corporation may

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

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

17 (B) fixing and collecting loan payments and other consideration
 18 for **an education** [A STUDENT] loan;

19 (C) assignment by the corporation of its rights in a student loan
 20 or in a mortgage or other security interest created with respect to **an education**
 21 [A STUDENT] loan to a trustee for the benefit of bondholders;

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

24 (E) vesting in a trustee of rights, powers, duties, funds, or
 25 property in trust for the benefit of bondholders, including the right to enforce
 26 payment, performance, and other rights of the corporation or of the
 27 bondholders, under **an education** [A STUDENT] loan or a security interest
 28 created with respect to **an education** [A STUDENT] loan;

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

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

3 * **Sec. 7.** As 14.42 is amended by adding a new section to read:

4 **Article 3. General Provisions.**

5 **Sec. 14.42.990. Definitions.** In this chapter,

6 (1) "commission" means the Alaska Commission on Postsecondary
7 Education;

8 (2) "corporation" means the Alaska Student Loan Corporation;

9 (3) "education loan" means a loan that may be financed under
10 AS 14.42.210 from the education loan fund.

11 * **Sec. 8.** AS 14.43.090 is repealed and reenacted to read:

12 **Sec. 14.43.090. Alaska student loan program.** (a) The Alaska student loan
13 program is established to provide loans to students to assist in paying the costs of
14 postsecondary education. The provisions of AS 14.43.090 - 14.43.160 and 14.43.910 -
15 14.43.990 apply to Alaska student loans.

16 (b) Upon approval by the commission of a loan, a loan disbursement shall be
17 financed by the corporation, and the loan becomes an asset of the corporation.

18 (c) Repayments of principal and interest on a loan shall be paid into the
19 education loan fund created under AS 14.42.210. If money made available by the
20 corporation is inadequate to fully fund eligible loan applications for academic year,
21 additional financing from the general fund may be requested and appropriated for that
22 year.

23 * **Sec. 9.** AS 14.43.110(a) is amended to read:

24 (a) In a school year, the commission may make a loan not to exceed

25 (1) \$8,500 to a full-time undergraduate student or \$4,500 [\$5,000] to
26 a half-time undergraduate student attending a college or university if the full- or half-
27 time student is otherwise eligible under AS 14.43.125;

28 (2) \$9,500 to a full-time graduate student or \$5,000 [\$4,500] to a half-
29 time graduate student attending a college or university if the full- or half-time graduate
30 student is otherwise eligible under AS 14.43.125; **or**

31 (3) \$5,500 to a full-time student or \$2,800 [\$2,000] to a half-time

1 student if the full- or half-time student is attending a career education program that is
 2 [AT LEAST SIX WEEKS IN LENGTH AND IS] otherwise eligible under
 3 AS 14.43.125.

4 * **Sec. 10.** AS 14.43.120 is repealed and reenacted to read:

5 **Sec. 14.43.120. Conditions on award and use of a loan.** (a) The
 6 commission may not award loans to a student for more than

7 (1) a total of \$42,500 for undergraduate study;

8 (2) a total of \$47,500 for graduate study; or

9 (3) a combined total of \$60,000 for undergraduate and graduate study.

10 (b) A student may only use a loan to attend

11 (1) a career education institution operating on a sound fiscal basis that

12 (A) is accredited by a national or regional accreditation
 13 association recognized by the Council on Recognition of Postsecondary
 14 Accreditation or that has been authorized by the commission and has operated
 15 for at least two years before the borrower attends; and

16 (B) has submitted an executed program participation agreement
 17 as required by the commission; or

18 (2) a degree-granting college or university that

19 (A) has operated for at least two years before the borrower
 20 attends;

21 (B) is accredited by a national or regional accreditation
 22 association recognized by the Council of Recognition of Postsecondary
 23 Accreditation;

24 (C) is approved by the United States Secretary of Education if
 25 the loans are federally insured; and

26 (D) has submitted an executed program participation agreement
 27 as required by the commission.

28 (c) The commission may not award a loan to attend an institution if the total
 29 amount of loans made to students to attend that institution exceeds \$100,000 annually
 30 and the default rate on those loans is (1) greater than 20 percent but less than 25
 31 percent and the institution is unable to reduce its default rate within 24 months after

1 the rate determination; or (2) equal to or greater than 25 percent for two consecutive
2 calendar years. For purposes of this subsection, the default rate shall be determined
3 by the commission for each annual group of loans required to be repaid under
4 AS 14.43.121 or the former provisions of AS 14.43.120 on or after July 1, 1996. If
5 a loan is refused based on the provisions of this subsection and, under a subsequent
6 default rate determination, an institution's default rate does not exceed the limits
7 established under this subsection, the commission may not refuse to issue a scholarship
8 loan to attend that institution based on the provisions of this subsection.

9 (d) A loan origination fee shall be deducted at the time a loan is disbursed.
10 The commission by regulation shall set the fee not to exceed five percent of the total
11 loan amount. The loan origination fees shall be deposited into an origination fee
12 account within the education loan fund created under AS 14.42.210 for use, subject to
13 appropriation, by the corporation to offset losses incurred as a result of death,
14 disability, default, or bankruptcy of a borrower.

15 (e) Proceeds from a loan to a full-time student may only be used for tuition
16 and required fees, loan origination fees, required books and educational supplies, and
17 room and board. Proceeds from a loan to a half-time student may only be used for
18 tuition and required fees, loan origination fees, and required books and educational
19 supplies.

20 (f) To maintain a loan awarded for full-time attendance, the student must
21 continue to be enrolled full-time in good standing in an institution that meets the
22 requirements under (b) of this section. To maintain a loan awarded for half-time
23 attendance, the student must continue to be enrolled half-time in good standing in an
24 institution (1) in the state that meets the requirements under (b) of this section; or (2)
25 outside the state that meets the requirements under (b) of this section and the student
26 must be physically present in the state while attending the institution.

27 * **Sec. 11.** AS 14.43 is amended by adding a new section to read:

28 **Sec. 14.43.121. Repayment of loans.** (a) A borrower's obligation to
29 commence repayment of the principal and interest on a loan begins six months after
30 the borrower is no longer enrolled as described in AS 14.43.120(f). The borrower
31 shall repay the total amount owed in periodic installments of at least \$50 a month over

1 a period of not more than 15 years from the commencement of the repayment
2 obligation.

3 (b) If the commission and the borrower agree to a different repayment
4 schedule, the borrower shall repay the loan as required by the agreement. The
5 commission may extend the period of repayment of a loan only in cases of economic
6 hardship for an additional period of up to five years. A borrower may make payments
7 without penalty earlier than required by this section or by the agreement.

8 (c) Interest accrues from the first loan disbursement; however, the state shall
9 pay the interest while the borrower continues to be enrolled as described in
10 AS 14.43.120(f). At the end of the six-month grace period under (a) of this section
11 or at the beginning and end of a deferment under (g) of this section, the commission
12 may add accrued unpaid interest to the principal balance of the loan. While a loan is
13 due to be repaid, the commission may add accrued interest not paid when due to the
14 principal balance of the loan.

15 (d) The commission shall set interest rates annually for loans awarded in the
16 following school year. The commission shall base the interest rate on

17 (1) the interest rate paid by the corporation on bonds issued by the
18 corporation under AS 14.42.220; and

19 (2) the amount necessary to pay the administrative cost of the loan
20 program.

21 (e) In determining a rate of interest under (d) of this section,

22 (1) the total amount charged for the administrative cost of the loan
23 program under (d)(2) of this section may not exceed three percent above the amount
24 determined under (d)(1) of this section; and

25 (2) the rate may not cause the loan program to generate a profit that
26 would jeopardize the tax-exempt status of the corporation or the interest on the
27 corporation's bonds under 26 U.S.C. 103 (Internal Revenue Code of 1986).

28 (f) Notwithstanding any other provision of this chapter, the commission or
29 corporation may prospectively modify loan terms if required to maintain the tax-
30 exempt status of the corporation and the interest on the corporation's bonds under 26
31 U.S.C. 103 (Internal Revenue Code of 1986).

1 (g) On application, a borrower's obligation to make periodic payments of
2 principal and interest shall be deferred, but interest shall continue to accrue, during any
3 of the following:

4 (1) if the borrower returns to full-time student status in good standing
5 in an institution that meets the requirements under AS 14.43.120(b);

6 (2) if the borrower, who received a loan to attend as a half-time
7 student, returns to

8 (A) half-time student status in good standing in an institution
9 in the state that meets the requirements under AS 14.43.120(b);

10 (B) at least half-time student status in good standing in an
11 institution that meets the requirements under AS 14.43.120(b) and the borrower
12 is physically present in the state while attending the institution; or

13 (C) full-time student status in good standing in an institution
14 that meets the requirements under AS 14.43.120(b);

15 (3) service of an initial period of up to three years on active duty as a
16 member of the armed forces of the United States;

17 (4) service for up to three years as a full-time volunteer under the
18 Peace Corps Act or the Domestic Volunteer Service Act of 1973;

19 (5) service for up to two years as a full-time volunteer under the
20 National and Community Service Trust Act of 1993 (AmeriCorps);

21 (6) a one-time period up to 12 months in which the borrower is seeking
22 and unable to find employment in the United States; or

23 (7) the period of disability if, after the loan is disbursed, the borrower
24 becomes totally disabled as certified by a competent medical authority and is
25 financially unable to repay the loan.

26 (h) The total of periods of deferment under (g)(1) - (6) of this section may not
27 exceed eight years. A borrower is not eligible for a deferment if the loan is not paid
28 current through the month before the deferment period.

29 (i) The borrower shall pay all fees and costs incurred in collection of a loan
30 that becomes delinquent or is in default.

31 (j) A portion of a loan shall be forgiven by the state if, after being enrolled in

1 the course of study for which the loan was granted, the borrower is a student who is
 2 unable to complete the school term as a result of serving on active duty as a member
 3 of the armed forces of the United States. The portion of the loan that shall be forgiven
 4 is equal to the amount borrowed by the student for the school term in which the
 5 borrower's studies are terminated. Forgiveness under this subsection is subject to
 6 appropriation by the legislature. Money obtained from the sale of bonds by the
 7 corporation under AS 14.42.220 may not be appropriated for the forgiveness of loans.

8 * **Sec. 12.** AS 14.43.121(c) is amended to read:

9 (c) Interest accrues from the first loan disbursement [; HOWEVER, THE
 10 STATE SHALL PAY THE INTEREST WHILE THE BORROWER CONTINUES TO
 11 BE ENROLLED AS DESCRIBED IN AS 14.43.120(f)]. At the end of the six-month
 12 grace period under (a) of this section or at the beginning and end of a deferment under
 13 (g) of this section, the commission may add accrued unpaid interest to the principal
 14 balance of the loan. While a loan is due to be repaid, the commission may add
 15 accrued interest not paid when due to the principal balance of the loan.

16 * **Sec. 13.** AS 14.43.121(d) is amended to read:

17 (d) The commission shall set interest rates annually for loans awarded in the
 18 following school year. The commission shall base the interest rate

19 (1) for those students who continue to be enrolled under
 20 AS 14.43.120(f), on an amount that is no more than the interest rate paid by the
 21 corporation on bonds issued by the corporation under AS 14.42.220; and

22 (2) for those students no longer enrolled under AS 14.43.120(f), on

23 (A) the interest rate paid by the corporation on bonds issued by
 24 the corporation under AS 14.42.220; and

25 (B) [(2)] the amount necessary to pay the administrative cost of
 26 the loan program.

27 * **Sec. 14.** AS 14.43.121(e) is amended to read:

28 (e) In determining a rate of interest under (d) of this section,

29 (1) the total amount charged for the administrative cost of the loan
 30 program under (d)(2)(B) [(d)(2)] of this section may not exceed three percent above
 31 the amount determined under (d)(2)(A) [(d)(1)] of this section; and

1 (2) the rate may not cause the loan program to generate a profit that
 2 would jeopardize the tax-exempt status of the corporation or the interest on the
 3 corporation's bonds under 26 U.S.C. 103 (Internal Revenue Code of 1986).

4 * **Sec. 15.** AS 14.43.122(b) is amended to read:

5 (b) Notwithstanding AS 14.43.121(d) [AS 14.43.120(f)], if loans are
 6 consolidated under (a) of this section, the consolidated loan shall bear annual interest
 7 equal to the weighted average of the interest rates on the loans being consolidated,
 8 rounded to the nearest 1/10 of a percent.

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

10 (c) A person may not be awarded an Alaska student [A SCHOLARSHIP]
 11 loan under AS 14.43.090 - 14.43.160 if that person receives a teacher scholarship loan
 12 under AS 14.43.600 - 14.43.700 for the same period of attendance.

13 * **Sec. 17.** AS 14.43.125(d) is amended to read:

14 (d) Notwithstanding (a)(2) and (6) - (8) [(a)(6) - (8)] of this section, the
 15 commission may issue a loan to a person if all principal, interest, and collection
 16 costs due on a loan previously disbursed by the commission to the person have
 17 been paid and another person who satisfies the requirements of (a)(2) and (4) - (8)
 18 [(a)(4) - (8)] of this section cosigns the loan.

19 * **Sec. 18.** AS 14.43.135 is amended to read:

20 **Sec. 14.43.135. Discrimination prohibited.** The education [STUDENT] loan
 21 program shall be carried out without regard to the race, creed, sex, color, ancestry,
 22 national origin, or membership in fraternal or political organizations of the student
 23 applying for the loan.

24 * **Sec. 19.** AS 14.43.145(a) is amended to read:

25 (a) For the purposes of this chapter, a loan is in default after [IF] a loan
 26 payment has become 180 or more days past due. Upon default,

27 (1) repayment of the remaining balance is accelerated and due;

28 (2) the commission may take the borrower's permanent fund dividend
 29 under AS 43.23.067;

30 (3) the commission may issue an order to withhold and deliver under
 31 AS 14.43.147; [AND]

1 (4) the commission may provide notice of the default to a licensing
2 entity for nonrenewal of the license under AS 14.43.148; **and**

3 **(5) the commission may record the lien created under AS 14.43.149.**

4 * **Sec. 20.** AS 14.43.148(a) is amended to read:

5 (a) Notwithstanding any other provision of law, a licensing entity may not
6 renew a license issued to a borrower if the licensing entity has received notice from
7 the commission that the licensee is in default on a loan made by the commission. If
8 the licensee has appealed the determination of default status, the commission shall
9 notify the licensing entity, and renewal may not be denied under this section unless
10 and until the appeal has been concluded and the default status affirmed. [UNLESS A
11 TEMPORARY LICENSE IS ISSUED UNDER (c) OF THIS SECTION, THE
12 DENIAL OF RENEWAL IS EFFECTIVE AT THE BEGINNING OF THAT
13 RENEWAL PERIOD.] Denial of renewal of a license shall continue until the
14 licensing entity receives notice of a release **under (f) of this section** from the
15 commission. If a license is denied under this section, the licensing entity shall refund
16 the renewal fee less the temporary license fee, if any.

17 * **Sec. 21.** AS 14.43.148(b) is amended to read:

18 (b) The licensing entity shall provide written notice of the **intent to deny**
19 [DENIAL OF] renewal of the license by giving written notice to the licensee or
20 sending the notice to the licensee's last known mailing address on file with the
21 licensing entity. The licensing agency shall include with the notice a form to request
22 review under (d) of this section; the form must include the commission's address and
23 telephone number. The notice must inform the licensee of the temporary license
24 granted under (c) of this section if the applicant is otherwise eligible and that, **when**
25 **the temporary license expires, the licensee may no longer practice the occupation**
26 [UPON EXPIRATION OF THAT TIME PERIOD, RENEWAL OF THE LICENSE
27 WILL BE DENIED] unless the licensing entity receives a notice of release under (f)
28 of this section from the commission.

29 * **Sec. 22.** AS 14.43.148(f) is amended to read:

30 (f) **On receipt of a written notice of release from the commission, the**
31 **licensing entity may renew the license if the applicant is otherwise qualified.** The

1 commission shall provide a notice of release to the licensing entity if the licensee

2 (1) pays all costs of collection and the interest and principal that would
3 have been due if the loan had not been accelerated; or

4 (2) has negotiated a payment schedule with the commission after the
5 loan is in default and has made complete and timely payments under the negotiated
6 agreement for the four most recent and consecutive months.

7 * **Sec. 23.** AS 14.43 is amended by adding a new section to read:

8 **Sec. 14.43.149. Lien.** (a) The amount owing on the loan that is in default
9 under AS 14.43.145(a), including principal, interest, and collection costs, is a lien on
10 all property and right to property, real or personal, belonging to the borrower. The
11 lien arises at the time the commission mails or otherwise delivers a notice of default
12 under AS 14.43.145(b) and continues until the balance of the loan, including principal,
13 interest, and collection costs, is paid in full.

14 (b) A lien created under (a) of this section is not valid against a mortgage or
15 other lienholder, pledgee, purchaser, or judgment creditor until notice of the lien is
16 recorded in the records of the recording district where the property subject to the lien
17 is situated.

18 (c) AS 40.19.040 applies to a notice of a student loan lien and documents
19 relating to a student loan lien.

20 * **Sec. 24.** AS 14.43.160(1) is amended to read:

21 (1) "career education" means a course or program in vocational-
22 technical training or education approved by the commission **that is a half-time**
23 **program at least 12 weeks in length or a full-time program at least six weeks in**
24 **length;**

25 * **Sec. 25.** AS 14.43.160(3) is amended to read:

26 (3) "full-time student" means **(A)** an undergraduate [OR CAREER
27 EDUCATION] student who is enrolled and is in regular attendance at classes for at
28 least 12 semester hours of credit or the equivalent during the semester, **(B)** [OR] a
29 graduate student who is enrolled and is in regular attendance at classes for at least nine
30 semester hours of credit or the equivalent, **or (C) a career education student enrolled**
31 **and in regular attendance in classes for at least 30 hours a week;** any combination

1 of semester hours of credit, or the equivalent, aggregating to the requisite number of
2 semester hours and undertaken during a semester at two or more public or private
3 institutions of higher education constitutes full-time student status;

4 * **Sec. 26.** AS 14.43.300(g) is amended to read:

5 (g) The commission by regulation shall set a loan origination fee, not to
6 exceed five percent of the total memorial scholarship loan amount, to be assessed upon
7 a memorial scholarship loan. The loan origination fee shall be deducted at the time
8 the loan is disbursed. Subject to appropriation, the loan origination fee shall be
9 deposited into an origination fee account within the memorial scholarship revolving
10 loan fund [,] and subsequently transferred by the commission to the appropriate
11 memorial scholarship accounts within the memorial scholarship revolving loan fund
12 to offset losses incurred due to loan debt cancellation as a result of death, disability,
13 **default**, or bankruptcy of the **borrower** [STUDENT].

14 * **Sec. 27.** AS 14.43.305(i) is repealed and reenacted to read:

15 (i) The interest rate on a loan made under AS 14.43.250(b)(5) is five percent
16 a year.

17 * **Sec. 28.** AS 14.43.320 is repealed and reenacted to read:

18 **Sec. 14.43.320. Terms and conditions of loan.** To the extent that they are
19 not in conflict with the provisions of AS 14.43.250 - 14.43.325, the provisions of
20 AS 14.43.100 - 14.43.160 are applicable to a loan made under AS 14.43.250 -
21 14.43.325.

22 * **Sec. 29.** AS 14.43.410 is amended to read:

23 **Sec. 14.43.410. Distribution of money [FUNDS].** The **money** [FUNDS]
24 appropriated for the educational incentive grant program shall be allocated to eligible
25 students in accordance with the provisions of the federal state student incentive grant
26 program and regulations adopted under **AS 14.42.030(c)** [AS 14.43.105 AND
27 14.43.405].

28 * **Sec. 30.** AS 14.43.620 is repealed and reenacted to read:

29 **Sec. 14.43.620. Financing for teacher scholarship loan program.** (a) On
30 approval by the commission of a teacher scholarship loan, a loan disbursement shall
31 be financed by the corporation, and the loan becomes an asset of the corporation.

1 (b) Repayment of principal and interest on a teacher scholarship loan shall be
 2 paid into the education loan fund created under AS 14.42.210. If money made
 3 available by the corporation is inadequate to fully finance eligible loan applications for
 4 an academic year, additional financing from the general fund may be requested and
 5 appropriated for that year.

6 * **Sec. 31.** AS 14.43.630(a) is repealed and reenacted to read:

7 (a) The commission shall

8 (1) annually allocate the available teacher scholarship loan awards to
 9 local school boards, giving a preference to rural school districts; and

10 (2) distribute to local school boards a form for nomination of
 11 candidates and applications for a nominated candidate.

12 * **Sec. 32.** AS 14.43.640(b) is amended to read:

13 (b) If a borrower meets the conditions provided in (a) of this section and is
 14 employed as a teacher in a rural elementary or secondary school **within four years**
 15 **after graduating from the teacher education program**, the portion of the loan that
 16 shall be paid by the state is the following **percent** [PERCENTAGES] of the total loan
 17 received plus interest up to a total of 100 percent of the total loan:

18 (1) one year employment, 15 percent;

19 (2) two years employment, an additional 15 percent;

20 (3) three years employment, an additional 15 percent;

21 (4) four years employment, an additional 25 percent;

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

23 * **Sec. 33.** AS 14.43.650(a) is amended to read:

24 (a) To be eligible for **an award and disbursement of** a teacher scholarship
 25 loan, a student must

26 (1) be a graduate of a public or private high school in the state **or be**
 27 **scheduled for graduation from a high school within six months** [, WITH
 28 SUFFICIENT CREDITS TO BE ADMITTED TO AN ACCREDITED COLLEGE OR
 29 UNIVERSITY];

30 (2) be enrolled **at the time of loan disbursement in an accredited** [IN
 31 OR SHOW EVIDENCE OF INTENT TO ENROLL IN A] degree program directed

1 at a teaching career at the elementary or secondary school level;

2 (3) meet the conditions set by the student's local school board with
3 respect to the district's requirements for teachers in particular subject areas;

4 (4) submit to the local school board an application on a form provided
5 by the commission under AS 14.43.630(a)(2); **the applicant shall also supply a high**
6 **school transcript and a statement of intent to enter a teaching career at the**
7 **elementary or secondary school level in the state** [AN APPLICATION MAY BE
8 SUBMITTED SIX MONTHS BEFORE GRADUATION FROM HIGH SCHOOL]; and

9 (5) not have a past due child support obligation established by court
10 order or by the child support enforcement division under AS 25.27.160 - 25.27.220 at
11 the time of application or loan disbursement.

12 * **Sec. 34.** 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 the student receives an Alaska student [A
15 SCHOLARSHIP] loan under AS 14.43.090 - 14.43.160 for the same period of
16 attendance.

17 * **Sec. 35.** AS 14.43.720 is repealed and reenacted to read:

18 **Sec. 14.43.720. Financing for family education loan program.** (a) on
19 approval by the commission of a family education loan, a loan disbursement shall be
20 financed by the corporation, and the loan becomes an asset of the corporation.

21 (b) Repayment of principal and interest on a family education loan shall be
22 paid into the education loan fund created under AS 14.42.210. If money made
23 available by the corporation is inadequate to fully finance eligible loan applications for
24 an academic year, additional financing from the general fund may be requested and
25 appropriated for that year.

26 * **Sec. 36.** AS 14.43.740(a) is amended to read:

27 (a) The provisions of AS 14.43.100, 14.43.110, 14.43.120, 14.43.121(b) and
28 (f) [14.43.120(a) - (d), (m), AND (r) - (u)], 14.43.135, 14.43.145 - 14.43.150, and
29 14.43.910 - 14.43.990 apply to a loan made under AS 14.43.710 - 14.43.750.

30 * **Sec. 37.** AS 14.43.740(c) is amended to read:

31 (c) Interest on a loan made under AS 14.43.710 - 14.43.755 is [AT A RATE

1 OF] five percent a year unless the loan is in default. **Interest accrues from the first**
 2 **loan disbursement and may be added to the principal balance of the loan if**
 3 **unpaid at the time the loan is due to be repaid under (d) of this section.** Interest
 4 on a loan [THAT IS] in default is 10 percent a year. **The commission may add**
 5 **accrued interest not paid when due to the principal balance of the loan.**

6 * **Sec. 38.** AS 14.43.740(d) is amended to read:

7 (d) **A borrower's obligation to commence repayment** [REPAYMENT] of
 8 the principal and interest on a **family education** loan [MADE UNDER AS 14.43.710 -
 9 14.43.750] begins on the first **day** of the **next** month **that is at least 30 days after the**
 10 **date of the last disbursement of the loan** [IMMEDIATELY FOLLOWING LOAN
 11 DISBURSEMENT]. The loan may be cancelled without prejudice at any time before
 12 actual disbursement. The **borrower shall repay** [LOAN SHALL PROVIDE FOR
 13 REPAYMENT OF] the total amount owed in periodic installments **of at least \$50 a**
 14 **month over a period of** [IN] not more than **15** [10] years from the commencement
 15 of **the** repayment **obligation**. [IF THE COMMISSION AND THE BORROWER
 16 AGREE TO A DIFFERENT REPAYMENT SCHEDULE, THE BORROWER SHALL
 17 REPAY THE LOAN IN ACCORDANCE WITH THE AGREEMENT.]

18 * **Sec. 39.** AS 14.43.750 is amended by adding a new subsection to read:

19 (c) A person may not borrow more than a total of \$68,000 from the family
 20 education loan program.

21 * **Sec. 40.** AS 14.43.990 is amended to read:

22 **Sec. 14.43.990. Definitions [DEFINITION].** In this chapter, **unless the**
 23 **context otherwise requires,**

24 (1) "commission" means the Alaska Commission on Postsecondary
 25 Education;

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

27 * **Sec. 41.** AS 14.48.160(c) is amended to read:

28 (c) A lending agency extending credit or loaning money to a person for tuition,
 29 fees, or other charges of a postsecondary educational institution for educational or
 30 other services or facilities to be rendered by the institution [,] shall conspicuously mark
 31 "student loan" on the face of a note, instrument, or other evidence of indebtedness

1 taken in connection with the loan or extension of credit. If the lending agency fails
2 to do so, it is liable for loss or damage suffered by a subsequent assignee, transferee,
3 or holder of the evidence of indebtedness because of the absence of the notation.
4 Notwithstanding the presence or absence of the notation [,] and notwithstanding an
5 agreement to the contrary, the lending agency making the loan or extending the credit,
6 and a transferee, assignee, or holder of the evidence of indebtedness, is subject to all
7 defenses and claims that could be asserted against the postsecondary educational
8 institution that was to render the services or facilities, by any party to the evidence of
9 indebtedness or by the person to whom the services or facilities were to be rendered,
10 up to the amount remaining to be paid. For purposes of this **subsection** [SECTION],
11 "lending agency" means **a** postsecondary educational institution, or a person
12 controlling, controlled by, or held in common ownership with, a postsecondary
13 educational institution [, OR REGULARLY LOANING MONEY TO, OR TO
14 STUDENTS OF, A POSTSECONDARY EDUCATIONAL INSTITUTION].

15 * **Sec. 42.** AS 14.42.030(d), 14.42.050(b), 14.42.390(2); AS 14.43.105, 14.43.255(c),
16 14.43.405(a), 14.43.730; and AS 14.48.050(10) are repealed.

17 * **Sec. 43.** TRANSITION: REGULATIONS. Notwithstanding sec. 47 of this Act, the
18 Alaska Commission on Postsecondary Education may immediately proceed to adopt
19 regulations necessary to implement the changes made in secs. 1 - 11 and 15 - 41 of this Act.
20 The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before
21 July 1, 1998.

22 * **Sec. 44.** REVISOR'S CHANGES. The revisor of statutes shall change the heading of
23 art. 4 of AS 14.43 (AS 14.43.090 - 14.43.160) to "Article 4. Alaska Student Loan Program."

24 * **Sec. 45.** Sections 12 - 14 and 42 of this Act take effect July 1, 1999.

25 * **Sec. 46.** Section 43 of this Act takes effect immediately under AS 01.10.070(c).

26 * **Sec. 47.** Except as provided in secs. 45 and 46 of this Act, this Act takes effect July 1,
27 1998.