

**SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 272**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

**BY REPRESENTATIVES GARA, GUTTENBERG, GARDNER, KERTTULA, HOLMES, TUCK,  
KAWASAKI, PETERSEN, GRUENBERG, AND CISSNA, Miller**

**Introduced: 1/25/12**

**Referred: Education, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act providing for a reduction in interest on postsecondary education loans for**  
2 **residents."**

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

4 **\* Section 1.** AS 14.43 is amended by adding a new section to read:

5 **Sec. 14.43.123. Interest rate reduction for residents.** (a) Notwithstanding a  
6 contrary provision of law, the commission shall provide for a reduction of three  
7 percent a year from the established interest rate for a loan issued under AS 14.43.091 -  
8 14.43.160, 14.43.161 - 14.43.168, or 14.43.170 - 14.43.175 for the time period in  
9 which the borrower establishes and maintains residency in the state while repaying the  
10 loan if

11 (1) the loan for which the reduction in interest is allowed is not in  
12 default; and

13 (2) any portion of the principal or interest on the loan is not eligible to  
14 be repaid or forgiven by a third party.

1 (b) For a borrower eligible for a reduction in the interest rate under (a) of this  
 2 section, the commission shall provide for a three percent reduction in the interest rate,  
 3 amortized and prorated from the beginning of the interest accrual period for the loan to  
 4 the date the borrower becomes eligible under (a) of this section, but not for a period  
 5 longer than five years, if the borrower established residency in the state in the  
 6 two-year period immediately following completion of the education for which the loan  
 7 was issued.

8 (c) The commission shall prorate on an annual basis a reduction in the interest  
 9 rate under (a) of this section over the period of residency that coincides with the loan  
 10 repayment period.

11 (d) A reduction in interest rate provided under this section is in addition to any  
 12 other available reduction in interest rate.

13 (e) Notwithstanding the reduction in interest rate available to a student under  
 14 this section, the corporation may maintain a minimum three percent interest rate for  
 15 loans issued by the corporation if necessary for a purpose that is consistent with the  
 16 duties of the corporation.

17 (f) A person who is issued a reduction in the interest rate under this section in  
 18 error shall repay the amount of the reduction, plus interest.

19 \* **Sec. 2.** AS 14.43.165 is amended by adding a new subsection to read:

20 (d) A borrower under AS 14.43.161 - 14.43.168 may be eligible for a  
 21 reduction in the interest rate under AS 14.43.123. The commission shall reduce the  
 22 interest rate of a loan under AS 14.43.161 - 14.43.168 as specified in AS 14.43.123 if  
 23 the borrower meets the eligibility requirements of that section.

24 \* **Sec. 3.** AS 14.43.171 is amended to read:

25 **Sec. 14.43.171. Applicability of other laws.** The provisions of  
 26 AS 14.43.120(d)(4), 14.43.122, 14.43.123, 14.43.135, 14.43.140, 14.43.145 -  
 27 14.43.160, 14.43.164, 14.43.166, and 14.43.168 apply to the loans made under  
 28 AS 14.43.170 - 14.43.175 as if the loans were made under those applicable provisions.