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Referred: Health,
Welfare and Education
and Finance

BY V. PHILLIPS, BRADY,
HAGGLAND, HARRIS AND LEWIS

1 IN THE SENATE

2 SENATE BILL NO. 195

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the establishment of a loan program
7 for college and university students in Alaska."

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

9 * Section 1. AS 14.25.180(b) is amended by adding a new subsection to
10 read:

11 (7) loans to students at qualified schools in Alaska. No
12 more than 15 per cent of the surplus may be invested in student loans
13 and the state shall appropriate sufficient money from the general fund
14 to reimburse the Teachers' Retirement System for any losses incurred,
15 as a result of failure of the obligors to pay on the notes. A student
16 receiving a loan provided for by this subsection shall secure a term
17 life insurance policy in the amount of his loan which shall run until
18 the loan has been repaid. The State of Alaska shall be made the
19 beneficiary of the policy.

20 * Sec. 2. AS 14.25.220 is amended by adding a new subsection to read:

21 (18) "qualified school" means a school within this state
22 which is a

23 (a) four-year, nonprofit, generally accredited institution of
24 higher education;

25 (b) accredited public or private community college or education
26 center, or one recognized by a state educational agency; or

27 (c) institution which is, in the opinion of the State Board of
28 Education, comparable to the above mentioned institutions, colleges,
29 centers or schools.

1 * Sec. 3. AS 14.40 is amended by adding new sections to read:

2 **ARTICLE 5A. LOANS FOR COLLEGE AND UNIVERSITY STUDENTS.**

3 **Sec. 14.40.552. HIGHER EDUCATION STUDENT LOAN FUND. (a)** There
4 is established the Higher Education Student Loan Fund which shall
5 consist of all money made available by the commissioner of revenue for
6 student loan purposes as provided for in AS 14.25.180(b)(7).

7 (b) Disbursements from the Higher Education Student Loan Fund
8 shall be made by the State Board of Education. The board shall keep
9 a record of all money deposited in the fund and the persons against
10 whom each withdrawal is charged.

11 **Sec. 14.40.554. STUDENT LOANS. (a)** Upon its approval of the
12 loan application of an eligible student, the State Board of Education
13 may loan an amount from the Higher Education Student Loan Fund. The
14 loan shall be evidenced by a written obligation but no additional
15 security shall be required.

16 (b) Loans will be approved only for the amount required to enable
17 the applicant to meet his college-related expenses when all other
18 sources of funds available to him are considered, but the loan shall

19 (1) not exceed \$2,000 in a single academic year, or a
20 total of \$8,000, to an undergraduate student;

21 (2) require the payment of interest, not to exceed 6%
22 per annum, on the unpaid balance from the date of the loan, to be
23 paid annually from the date of the loan.

24 (c) Repayment of the principal on loans shall not be required to
25 be commenced sooner than six months after the student's graduation or
26 other termination of his education nor to be completed sooner than
27 60 months after the student's graduation or other termination of his
28 education. However, nothing in this section is intended to prevent
29 repayment at an earlier date than provided in this section or to

1 prohibit the State Board of Education from extending the repayment
2 period to a date other than permitted by this subsection.

3 **Sec. 14.40.556. LOAN OBLIGATION ENFORCEABLE AGAINST PERSONS UNDER**
4 **21. (a)** Notwithstanding any other provision of law, any written obliga-
5 tion made by any person less than 21 years of age to repay or secure
6 payment of a loan made in compliance with sec. 554 of this chapter,
7 or which forms part of the transaction of making a loan, shall be as
8 binding as if the student were, at the time of making and executing
9 the obligation, 21 years of age.

10 **(b)** Any obligation made in compliance with sec. 554 of this
11 chapter may be enforced in any action or proceeding by or against a
12 student less than 21 years of age in his name and shall be valid, inso-
13 far as the issue of age is concerned, without the consent of the
14 parent or guardian of the student. The student may not disaffirm the
15 obligation because of age nor may any student interpose in any action
16 or proceeding arising out of the loan the defense that he is or was,
17 at the time of making or executing the obligation, a minor.

18 **Sec. 14.40.558. DEFINITIONS.** In this chapter "eligible student"
19 means a person who has been a resident of this state for at least one
20 year prior to application for a loan under sec. 554 of this chapter:

21 **(1)** who is enrolled in or has applied for enrollment in
22 a qualified school as defined in AS 14.25.220(18);

23 **(2)** who has demonstrated a satisfactory level of achieve-
24 ment in the high school or other school on the record of which the
25 application for enrollment is based or in which he is enrolled; and

26 **(3)** who can show the necessity for financial assistance
27 in order to continue his education.
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