

Original sponsors: Rodey, Hackney  
and Sackett

Offered: 4/29/79  
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 130 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the student loan program; and  
7 providing for an effective date."

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

9 \* Section 1. The legislature determines that

10 (1) there are no incentives in the student loan program for resi-  
11 dents of Alaska to attend colleges and universities in Alaska as compared  
12 with colleges and universities outside Alaska;

13 (2) the result of this lack of incentives is that 64.9 per cent of  
14 all undergraduate student loans and 92.9 per cent of graduate student loans  
15 go to students attending colleges and universities outside Alaska;

16 (3) the amount of the average loan to undergraduate students  
17 attending colleges and universities in Alaska is lower than the average of  
18 similar loans in all but one of the 10 western states and the amount of the  
19 average loan for graduate students is the lowest in the West;

20 (4) the funds spent on education in Alaskan colleges and univer-  
21 sities go further than when the funds are spent out of state; and

22 (5) it would be an aid to the Alaskan economy if the funds in the  
23 student loan program were spent for education in Alaskan colleges and univer-  
24 sities.

25 \* Sec. 2. AS 14.40.767 is repealed and re-enacted to read:

26 Sec. 14.40.767. SELECTION CRITERIA. In selecting from among the  
27 eligible students those students who will be awarded loans, the selec-  
28 tion committee shall grant loans based on total point accumulations  
29 under this subsection with priority going to those students with the

1 highest point accumulations. Points shall be awarded to applicants  
2 based upon student status and continuous Alaskan residency, according to  
3 the following schedule:

4 (1) student status:

- 5 (A) continuing students with loans.....4 points  
6 (B) continuing students without loans.....3 points  
7 (C) freshmen.....2 points  
8 (D) new graduate students.....1 point

9 (2) continuous Alaskan residency:

- 10 (A) students with continuous Alaskan  
11 residency of 10 years or more.....3 points  
12 (B) students with continuous Alaskan  
13 residency of 5 to 9 years.....2 points  
14 (C) students with continuous Alaskan  
15 residency of 4 years or less.....1 point

16 (3) students attending Alaska

- 17 colleges or universities.....2 points.

18 \* Sec. 3. AS 14.40.763(b) is amended to read:

19 (b) the loans may only be used to attend a career education pro-  
20 gram [APPROVED BY THE COMMISSION] or a college or university approved  
21 by the commission, and if the loans are federally insured, by the United  
22 States Commissioner of Education [ACCREDITED BY THE ACCREDITATION ASSO-  
23 CIATION FOR THE REGION IN WHICH THE COLLEGE OR UNIVSITY IS LOCATED].

24 \* Sec. 4. AS 14.40.763(e) is amended to read:

25 (e) Loans are interest [NON-INTEREST] bearing while a student is  
26 enrolled under (c) of this section or is receiving a deferment of pay-  
27 ments under (k) of this section; however, a student shall be entitled  
28 to have a portion of the interest paid on his behalf and for his account  
29 in accordance with (1) of this section.

1 \* Sec. 5. AS 14.40.763(g) is repealed and re-enacted to read:

2 (g) The required repayment of the principal amount of the loan and  
3 any interest on the loan begins no earlier than nine months nor later  
4 than one year after the student terminates his studies. The loan shall  
5 provide for repayment of the total amount owed in periodic installments  
6 in not less than five nor more than 10 years from the commencement of  
7 repayment or more than 15 years from the date of execution of the  
8 original promissory note evidencing the disbursement of the loan, except  
9 as provided for in (k) and (m) of this section. Notwithstanding the  
10 provisions of this subsection a student may at his option make payments  
11 earlier than this subsection requires.

12 \* Sec. 6. AS 14.40.763(j) is amended to read:

13 (j) A portion of a loan shall be paid on behalf of the borrower  
14 by the state [CONSIDERED A GRANT] if, upon completion of the course of  
15 study for which the loan was granted, the borrower [GRANTEE] spends at  
16 least two years employed in the state. The portion of the loan which  
17 shall be paid by the state [REGARDED AS A GRANT] shall be the following  
18 percentages of the total loan received plus [ACCRUED] interest for up  
19 to a total of 40 per cent:

20 (1) two - three years residency, 10 per cent;

21 (2) three - four years residency, an additional 10 [20] per  
22 cent;

23 (3) four - five years residency, an additional 10 [30] per  
24 cent;

25 (4) over five years residency, an additional 10 [40] per  
26 cent.

27 \* Sec. 7. AS 14.40.763(k) is repealed and re-enacted to read:

28 (k) Periodic installments of principal shall be deferred, but  
29 interest shall accrue and be paid unless the student is eligible for

1 interest payment benefits under (l) of this section during any of the  
2 following;

3 (1) return to student status as provided in (c) of this  
4 section;

5 (2) serving on active duty as a member of the armed forces of  
6 the United States;

7 (3) serving, for up to three years, as a full-time volunteer  
8 under the Peace Corps Act;

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

11 (5) for a one-time period up to 12 months in which the bor-  
12 rower is seeking and unable to find employment in the United States; or

13 (6) if the borrower becomes 50 per cent or more disabled as  
14 certified by competent medical authority.

15 \* Sec. 8. AS 14.40.763 is amended by adding new subsections to read:

16 (1) The state will pay the interest on that portion of a loan that  
17 is not federally insured during

18 (1) the period before the beginning of the repayment period  
19 of the loan; and

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

21 (m) In case of hardship, the committee may extend repayment of a  
22 loan for an additional period of up to five years in increments no  
23 longer than six months each, within the 15-year requirement of (g) of  
24 this section.

25 (n) Each year spent attending a college or university in Alaska  
26 qualifies as a year of employment and residency under (j) of this  
27 section, if the borrower resides no less than two years in Alaska after  
28 completion of the course for which the loan was granted, and has a total  
29 Alaskan residency of 10 years time.

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\* Sec. 9. AS 14.40.806 is amended by adding a new paragraph to read:

(8) "federally insured" means a loan covered by the provisions of the Guaranteed Student Loan Program of Title IV, Part B, of the Higher Education Act of 1965 (P.L. 89-329), as amended.

\* Sec. 10. This Act takes effect July 1, 1979.