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1 IN THE HOUSE

2 HOUSE BILL NO. 492

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to student loans: establishing a
7 state loan program for part-time postsecondary educa-
8 tion students, and amending the scholarship loan
9 program; and providing for an effective date."

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

11 * Section 1. AS 14.40 is amended by adding new sections to read:

12 ARTICLE 9. SCHOLARSHIP LOANS AND LOANS
13 TO PART-TIME STUDENTS [TUITION GRANTS].

14 Sec. 14.40.777. LOANS TO PART-TIME STUDENTS. There is created a
15 revolving loan fund for part-time students. The fund shall be used to
16 make loans to part-time students selected under AS 14.40.777 - 14.40.-
17 795. Repayments of principal and interest on loans shall be paid into
18 the fund and shall be used to make new loans for part-time students.
19 If estimated money available from loan repayments is inadequate to
20 fully finance estimated loans under AS 14.40.777 - 14.40.795 for any
21 fiscal year, additional money from the general fund may be requested
22 and appropriated for that year.

23 Sec. 14.40.779. ADMINISTRATION OF LOAN PROGRAM. The executive
24 secretary shall administer the loan program established in AS 14.40.-
25 777 - 14.40.795 subject to review by the committee and in accordance
26 with the regulations prescribed by the committee. The adoption of
27 these regulations is subject to the Administrative Procedure Act
28 (AS 44.62). A summary of the regulations adopted shall be distributed
29 to each applicant.

1 Sec. 14.40.783. APPLICATIONS. (a) An application for a loan
2 under AS 14.40.777 - 14.40.795 shall be submitted to the executive
3 secretary of the committee.

4 (b) A person whose loan application is not recommended or pre-
5 sented to the committee by the executive secretary may appeal to the
6 committee through the chairman of the committee and the committee shall
7 consider the application.

8 Sec. 14.40.785. ELIGIBILITY. A student may apply for a loan if

9 (1) he is a resident of Alaska; and

10 (2) he is either

11 (A) enrolled as a part-time student in a career educa-
12 tion or associate or baccalaureate or graduate degree program at
13 an accredited college or university in the state; or

14 (B) a graduate of a high school, the holder of a general
15 education development diploma, or scheduled for graduation from a
16 high school within six months, with sufficient credits to be
17 admitted as a part-time student to a career education program or
18 to an accredited college or university in the state.

19 Sec. 14.40.787. LOANS AND LOAN LIMITS. (a) The committee may
20 make a loan to a student eligible under AS 14.40.785.

21 (b) The loan may only be used to attend a career education program
22 or a college or university in the state which is approved by the commis-
23 sion, and, if the loans are federally insured, by the United States
24 Department of Education.

25 (c) A loan may be approved only for an amount not to exceed the
26 costs of tuition, fees, and books for the applicant during each semester
27 for which the applicant is enrolled as a part-time student.

28 (d) To maintain the loan, the student must continue to be enrolled
29 as a part-time student in good standing in a career education program,

1 college or university designated under (b) of this section.

2 Sec. 14.40.789. REPAYMENT. (a) Interest on the loan given under
3 AS 14.40.777 - 14.40.795 is at the rate of five percent a year.

4 (b) The loan shall provide for repayment of the total amount owed
5 in periodic installments. The required repayment of the principal
6 amount of the loan and any interest on the loan begins 120 days after
7 the date of enrollment of the student, and shall provide for repayment
8 of the total amount owed in periodic installments in not more than one
9 year from the commencement of repayment. Notwithstanding this subsec-
10 tion, a student may at his option make payments earlier than this
11 subsection requires.

12 (c) Security may not be required for a loan; however, as a condi-
13 tion of a loan, the committee shall require the applicant to pay attor-
14 ney fees and costs of court if either or both are incurred in collection
15 of the amount owed on the loan.

16 (d) If a loan is in default, the committee shall notify the
17 student that repayment of the remaining balance is accelerated and due
18 by sending the student a notice by registered or certified mail.

19 (e) In case of hardship, the committee may extend repayment of a
20 loan for an additional period of up to five years in increments no
21 longer than six months each.

22 Sec. 14.40.795. DEFINITIONS. In AS 14.40.777 - 14.40.795,

23 (1) "fund" means the part-time student revolving loan fund;

24 (2) "loan" means a loan to a part-time student;

25 (3) "part-time student" means a student who is enrolled and
26 is in regular attendance at classes

27 (A) for less than the semester hours of credit required
28 for full-time student status under AS 14.40.806(2) during the
29 semester; or

(B) during a summer session;

(4) "resident" means a person domiciled in the state who has resided in the state for at least one year at the time he applies for the loan.

* Sec. 2. AS 14.40.751(a) is amended to read:

(a) There is created a scholarship revolving loan fund. The fund shall be used to make scholarship loans to students selected under AS 14.40.751 - 14.40.771 [AS 14.40.751 - 14.40.806]. All repayments of principal and interest on scholarship loans shall be paid into the scholarship revolving loan fund and shall be used to make new scholarship loans. If estimated funds available from scholarship loan repayments are inadequate to fully fund estimated scholarship loans for any fiscal year, additional funding from the general fund may be requested and appropriated for that year.

* Sec. 3. AS 14.40.753(a) is amended to read:

(a) The student financial aid committee is composed of the members of the Alaska Commission on Postsecondary Education. The commission may delegate its functions under AS 14.40.751 - 14.40.806 to a committee of its members, with augmented membership as the commission considers appropriate. The executive officer of the commission is the executive secretary of the committee. The Alaska Commission on Postsecondary Education shall administer the scholarship loan program established by AS 14.40.751 - 14.40.771 and the part-time student loan program established by AS 14.40.777 - 14.40.795 [AS 14.40.751 - 14.40.806].

* Sec. 4. AS 14.40.755 is amended to read:

Sec. 14.40.755. APPLICATIONS. (a) An application for a scholarship loan [APPLICATIONS] shall be submitted to the executive secretary of the committee.

(b) A person whose scholarship loan [OR GRANT] application is not

1 recommended or presented to the committee by the executive secretary
2 may appeal to the committee through the chairman of the committee and
3 the committee shall consider the application.

4 * Sec. 5. AS 14.40.757 is amended to read:

5 Sec. 14.40.757. ADMINISTRATION OF PROGRAM. The executive secre-
6 tary shall administer the scholarship loan program [PROGRAMS] subject
7 to review by the committee and in accordance with the regulations
8 prescribed by the committee. The adoption [PROMULGATION] of these
9 regulations is subject to the Administrative Procedure Act (AS 44.62),
10 and a summary of the regulations shall be distributed to each applicant.

11 * Sec. 6. AS 14.40.759 is amended to read:

12 Sec. 14.40.759. UNDERGRADUATE LOANS. The committee may make a
13 scholarship loan, not to exceed \$3,000 in any one school year, to an
14 undergraduate student eligible under AS 14.40.765.

15 * Sec. 7. AS 14.40.761 is amended to read:

16 Sec. 14.40.761. GRADUATE LOANS. The committee may make a
17 scholarship loan, not to exceed \$5,000 in any one school year, to a
18 graduate student who is eligible under AS 14.40.765 and is pursuing an
19 advanced degree.

20 * Sec. 8. AS 14.40.763(b) is amended to read:

21 (b) A scholarship loan [THE LOANS] may only be used to attend a
22 career education program or a college or university approved by the
23 commission, and, if the scholarship loan is [LOANS ARE] federally
24 insured, by the United States Department [COMMISSIONER] of Education.

25 * Sec. 9. AS 14.40.763(c) is amended to read:

26 (c) To maintain a scholarship loan the student must continue to
27 be enrolled as a full-time student in good standing in a career educa-
28 tion program, college or university designated under (b) of this sec-
29 tion.

1 * Sec. 10. AS 14.40.763(e) is amended to read:

2 (e) A scholarship loan is [LOANS ARE] interest bearing while a
3 student is enrolled under (c) of this section or is receiving a defer-
4 ment of payments under (k) of this section; however, a student is
5 entitled to have a portion of the interest paid on his behalf and for
6 his account in accordance with (l) of this section.

7 * Sec. 11. AS 14.40.763(f) is amended to read:

8 (f) Interest on a scholarship loan given under AS 14.40.751 -
9 14.40.771 [AS 14.40.751 - 14.40.806] is at the rate of five percent a
10 year.

11 * Sec. 12. AS 14.40.763(g) is amended to read:

12 (g) The required repayment of the principal amount of a scholar-
13 ship [THE] loan and any interest on the scholarship loan begins no
14 earlier than nine months nor later than one year after the student
15 terminates his studies. The scholarship loan shall provide for repay-
16 ment of the total amount owed in periodic installments in not less than
17 five nor more than 10 years from the commencement of repayment or more
18 than 15 years from the date of execution of the original promissory
19 note evidencing the disbursement of the scholarship loan, except as
20 provided for in (k) and (m) of this section. Notwithstanding the
21 provisions of this subsection, a student may at his option make pay-
22 ments earlier than this subsection requires.

23 * Sec. 13. AS 14.40.763(h) is amended to read:

24 (h) Security may not be required for a scholarship loan [THE
25 LOANS]; however, provision shall be made for payment of attorney fees
26 and costs of court if either or both are incurred in collection of the
27 amount owed on the scholarship loan.

28 * Sec. 14. AS 14.40.763(i) is amended to read:

29 (i) If a scholarship loan is in default, the commission may

1 notify the student that repayment of the remaining balance is acceler-
2 ated and due by sending the student a notice by registered or certified
3 mail.

4 * Sec. 15. AS 14.40.763(j) is amended to read:

5 (j) A portion of a scholarship loan shall be paid on behalf of
6 the borrower by the state if, upon completion of the course of study
7 for which the scholarship loan was granted, the borrower spends at
8 least three years employed in the state. The portion of the scholar-
9 ship loan which shall be paid by the state shall be the following
10 percentages of the total loan received plus interest for up to a total
11 of 40 percent:

- 12 (1) two -- three years residency, 10 percent;
- 13 (2) three -- four years residency, an additional 10 percent;
- 14 (3) four -- five years residency, an additional 10 percent;
- 15 (4) over five years residency, an additional 10 percent.

16 * Sec. 16. AS 14.40.763(m) is amended to read:

17 (m) In case of hardship, the committee may extend repayment of a
18 scholarship loan for an additional period of up to five years in incre-
19 ments no longer than six months each, within the 15-year requirement of
20 (g) of this section.

21 * Sec. 17. AS 14.40.763(n) is amended to read:

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

27 * Sec. 18. AS 14.40.767 is amended to read:

28 Sec. 14.40.767. SELECTION CRITERIA. (a) The selection committee
29 shall grant scholarship loans based on total point accumulations under

1 this subsection with priority going to those applicants with the highest
2 point accumulations, except as provided in (b) of this section for
3 scholarship loan applications completed before May 15 of each year.
4 Points shall be awarded to applicants based upon student status and
5 continuous Alaskan residency, according to the following schedule:

6 (1) student status:

7 (A) continuing undergraduate and graduate students with
8 existing Alaska scholarship loans..... 4 points

9 (B) continuing undergraduate and graduate students
10 without existing Alaska scholarship loans..... 3 points

11 (C) freshmen..... 2 points

12 (D) new graduate students without existing Alaska
13 scholarship loans..... 1 point

14 (2) continuous Alaskan residency:

15 (A) students with continuous Alaskan residency of 10
16 years or more..... 3 points

17 (B) students with continuous Alaskan residency of at
18 least 5 years and less than 10 years..... 2 points

19 (C) students with continuous Alaskan residency of more
20 than 2 years and less than 5 years..... 1 point

21 (3) students attending Alaska colleges or universities
22 1 point

23 (b) In awarding scholarship loans, the selection committee shall
24 award scholarship loans to applicants based upon the earliest date of
25 completed applications if

26 (1) the applicant has accumulated at least 5 points under
27 (a) of this section; and

28 (2) the applicant has filed a completed application not
29 later than May 15 of the year for which the scholarship loan is re-

1 quested.

2 * Sec. 19. AS 14.40.769 is amended to read:

3 Sec. 14.40.769. DISCRIMINATION PROHIBITED. The student loan
4 programs established in AS 14.40.751 - 14.40.806 [PROGRAM] shall be
5 carried out without regard to the race, creed, sex, color, ancestry,
6 national origin, or membership in fraternal or political organizations
7 of the student applying for a THE loan.

8 * Sec. 20. AS 14.40.806(4) is amended to read:

9 (4) "resident" means a person domiciled in Alaska who has
10 resided in Alaska for at least two years before an application for a
11 scholarship [GRANT OR] loan is made under AS 14.40.751 - 14.40.771
12 [AS 14.40.751 - 14.40.806];

13 * Sec. 21. AS 14.40.806 is amended by adding a new paragraph to read:

14 (9) "scholarship loan" means a loan to a student under
15 AS 14.40.751 - 14.40.771.

16 * Sec. 22. AS 14.40.806(3) is repealed.

17 * Sec. 23. This Act takes effect July 1, 1981.

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