

Offered: 5/5/87
Referred: Rules

5-0317L

Original sponsors: Sund and Koponen

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 CS FOR HOUSE BILL NO. 39 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act relating to student loans and family educa-
7 tion loans; creating the Alaska Student Loan Corpora-
8 tion; and providing for an effective date."
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 * Section 1. AS 14.42 is amended by adding a new section to read:
11 Sec. 14.42.032. LIMITATION ON AWARDING LOANS. In administering
12 AS 14.43.090 - 14.43.325, 14.43.600 - 14.43.700, and 14.43.710 -
13 14.43.790, the commission may not during a fiscal year award loans
14 with a total value that exceeds by more than three percent the total
15 value of loans awarded under those provisions during the previous
16 fiscal year. This limitation may be exceeded only if the commission
17 is specifically authorized to do so by law.
18 * Sec. 2. AS 14.42 is amended by adding new sections to read:
19 ARTICLE 2. ALASKA STUDENT LOAN CORPORATION.
20 Sec. 14.42.100. CREATION OF ALASKA STUDENT LOAN CORPORATION.
21 There is created the Alaska Student Loan Corporation. The corporation
22 is a public corporation and government instrumentality within the
23 Department of Education but having a legal existence independent of
24 and separate from the state. The corporation may not be terminated as
25 long as it has bonds, notes, or other obligations outstanding. Upon
26 termination of the corporation, its rights and property pass to the
27 state.
28 Sec. 14.42.110. PURPOSE OF CORPORATION. The purpose of the
29 corporation is to improve higher educational opportunities for

1 residents of the state in accordance with this chapter.

2 Sec. 14.42.120. CORPORATION GOVERNING BODY. (a) The corpor-
3 ation shall be governed by a board of directors appointed by the
4 governor consisting of two members of the Alaska Commission on Post-
5 secondary Education, each of whom is selected for the commission under
6 AS 14.42.015(a)(1) - (2), (4) - (6), (8), or (9) and the commissioner
7 of revenue, the commissioner of administration, and the commissioner
8 of commerce and economic development. Members of the board serve
9 without compensation but the members who are also members of the
10 Alaska Commission on Postsecondary Education are entitled to per diem
11 and travel expenses authorized by law for boards and commissions under
12 AS 39.20.180.

13 (b) The board shall elect a chairman from among its membership
14 at its annual meeting each year. A majority of the members constitute
15 a quorum for organizing the board, conducting its business, and exer-
16 cising the powers of the corporation.

17 Sec. 14.42.130. MEETINGS OF THE BOARD. (a) The board shall
18 meet at the call of its chairman and at other times as the board may
19 determine in accordance with its regulations.

20 (b) Public notice of a meeting of the board at which the issu-
21 ance of corporation bonds is authorized shall be provided at least 24
22 hours before the meeting.

23 Sec. 14.42.140. MINUTES OF MEETINGS. The board shall keep
24 minutes of each meeting and send a certified copy to the governor and
25 to the Legislative Budget and Audit Committee.

26 Sec. 14.42.150. ADMINISTRATION OF AFFAIRS. The board shall
27 manage the assets and business of the corporation and may adopt bylaws
28 and regulations, in accordance with the Administrative Procedure Act
29 (AS 44.62), governing the manner in which the business of the

1 corporation is conducted and the manner in which its powers are
2 exercised. The board shall delegate supervision of the administration
3 of the corporation to the executive officer of the corporation.

4 Sec. 14.42.160. EXECUTIVE OFFICER. The executive officer of the
5 Commission on Postsecondary Education appointed under AS 14.42.040(a)
6 shall serve as executive officer of the corporation. The board shall
7 prescribe the duties of the executive officer.

8 Sec. 14.42.170. STAFF. The employees of the Alaska Commission
9 on Postsecondary Education shall serve as staff for the corporation.

10 Sec. 14.42.190. BUDGET. The operating budget of the corporation
11 is subject to AS 37.07 (Executive Budget Act).

12 Sec. 14.42.200. GENERAL POWERS. In addition to other powers
13 granted in this chapter, the corporation may

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

15 (2) adopt an official seal;

16 (3) adopt regulations under AS 44.62 (Administrative Proce-
17 dure Act) to carry out the purposes of this chapter;

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

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

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

28 (7) include in a borrowing the amounts to pay financing
29 charges, interest on the obligations for a period not exceeding one

1 year after the date on which the corporation estimates funds will
2 otherwise be available to pay the interest, consultant, advisory and
3 legal fees and other expenses necessary or incident to the borrowing;

4 (8) invest or reinvest, subject to its contracts with
5 noteholders and bondholders, money held by the corporation in obliga-
6 tions or other securities authorized for investments of the commis-
7 sioner of revenue under AS 37.10.070(a);

8 (9) collect from a borrower amounts owed with respect to a
9 student loan the corporation has purchased;

10 (10) gather information on student loans available to resi-
11 dents of Alaska and disseminate the information to reasonably assure
12 that qualified residents are aware of financial resources available to
13 those attending or desiring to attend institutions for which loans may
14 be made under AS 14.43.090 - 14.43.325, 14.43.600 - 14.43.700, or
15 14.43.710 - 14.43.790;

16 (11) service student loans held by the corporation;

17 (12) purchase or participate in the purchase of student
18 loans;

19 (13) contract in advance for the purchase or sale of student
20 loans;

21 (14) sell or participate in the sale, either public or
22 private and on terms authorized by the board, of student loans to the
23 Student Loan Marketing Association or to other purchasers;

24 (15) collect and pay reasonable fees and charges in connec-
25 tion with the purchase, sale, and servicing of student loans;

26 (16) enter into agreements with the federal government,
27 including guaranty agreements and supplemental guaranty agreements as
28 described in the United States Higher Education Act of 1965, as neces-
29 sary to provide for the receipt by the corporation of administrative

1 allowances and other benefits available under the United States Higher
2 Education Act of 1965;

3 (17) administer federal money allotted to the state involv-
4 ing insured student loans and related administrative costs and other
5 matters;

6 (18) enter into agreements with the Alaska Commission on
7 Postsecondary Education relating to student loans, the administration
8 of the student loan fund created under AS 14.42.210, and the payment
9 of and security for bonds of the corporation;

10 (19) to the extent permitted under contracts with bond
11 holders, consent to the modification of the rate of interest, time of
12 payment of an installment of principal or interest, or other terms of
13 a student loan purchased by the corporation;

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

16 (21) provide advisory services to borrowers and other parti-
17 cipants in the corporation's programs;

18 (22) enter into credit facility agreements and make pledges,
19 covenants, and agreements with respect to the repayment of borrowings
20 under the credit facility agreements;

21 (23) do all acts necessary, convenient, or desirable to
22 carry out the powers expressly granted or necessarily implied in
23 AS 14.42.100 - 14.42.500.

24 Sec. 14.42.210. STUDENT LOAN FUND. (a) The student loan fund
25 is established in the corporation. The student loan fund is a trust
26 fund to be used to carry out the purposes of AS 14.42.100 - 14.42.500,
27 AS 14.43.090 - 14.43.325, 14.43.600 - 14.43.700, and 14.43.710 -
28 14.43.790. The fund consists of money or assets appropriated or
29 transferred to the corporation for the fund and money or assets

1 deposited in it by the corporation. The corporation may establish
2 separate accounts in the fund.

3 (b) Money and other assets of the student loan fund may be used
4 to secure bonds of the corporation, invested in student loans and in-
5 vestments described in AS 37.10.070(a) and used to purchase loans
6 approved under AS 14.43.090 - 14.43.325, 14.43.600 - 14.43.700, or
7 14.43.710 - 14.43.790.

8 (c) The student loan fund shall be administered by the Alaska
9 Commission on Postsecondary Education. The corporation and the com-
10 mission may enter into agreements relating to the administration of
11 the fund. The corporation may assign its rights under the agreements
12 for the benefit and security of holders of its bonds.

13 Sec. 14.42.220. BONDS OF THE CORPORATION. (a) Subject to (f)
14 of this section, the corporation may borrow money and may issue bonds,
15 on which the principal and interest are payable from its income and
16 receipts or other assets or a designated part or parts of them.

17 (b) Bonds may be authorized only by resolution of the board.
18 Bonds shall be dated, bear interest at the rate or rates, be in the
19 denominations, be in the form, either coupon or registered, carry the
20 registration privileges, be executed in the manner, be payable in the
21 medium of payment, at the place or places, be subject to the terms of
22 redemption, and mature as provided by the resolution or a subsequent
23 resolution. However, a bond may not mature more than 30 years after
24 the date it is issued.

25 (c) Bonds of the corporation, regardless of form or character,
26 are negotiable instruments for all the purposes of the Uniform Commer-
27 cial Code (AS 45.01 - AS 45.09).

28 (d) Bonds of the corporation may be sold at public or private
29 sale in the manner, for the price or prices, and at the time or times

1 that the board determines.

2 (e) The superior court has jurisdiction to hear and determine
3 proceedings relating to the corporation, including proceedings brought
4 by or for the benefit of a bondholder or by a trustee for or other
5 representative of a bondholder.

6 (f) The corporation may not issue bonds, other than refunding
7 bonds, during any two consecutive fiscal years in an aggregate amount
8 greater than \$125,000,000 unless the legislature, by law, approves
9 issuance of a greater amount.

10 Sec. 14.42.230. TRUST INDENTURES AND TRUST AGREEMENTS. An
11 issue of bonds by the corporation may be secured by a trust indenture
12 or trust agreement between the corporation and a corporate trustee,
13 which may be a trust company, bank, or national banking association,
14 with corporate trust powers, located inside or outside the state, or
15 by a secured loan agreement or other instrument or under a resolution
16 giving powers to a corporate trustee by means of which the corporation
17 may:

18 (1) enter into agreements with the trustee or the bond-
19 holders that the board determines to be necessary or desirable, in-
20 cluding covenants, provisions, limitations, and other agreements as to
21 the

22 (A) application, investment, deposit, use, and dispo-
23 sition of the proceeds of bonds of the corporation or of money or
24 other property of the corporation or in which it has an interest;

25 (B) fixing and collecting loan payments and other
26 consideration for a student loan;

27 (C) assignment by the corporation of its rights in a
28 student loan or in a mortgage or other security interest created
29 with respect to a student loan to a trustee for the benefit of

1 bondholders;

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

4 (E) vesting in a trustee of rights, powers, duties,
5 funds, or property in trust for the benefit of bondholders, in-
6 cluding the right to enforce payment, performance, and other
7 rights of the corporation or of the bondholders, under a student
8 loan or a security interest created with respect to a student
9 loan;

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

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

15 Sec. 14.42.240. RESERVES AND CAPITAL RESERVES. (a) For the
16 purpose of securing one or more issues of bonds of the corporation,
17 the board may establish one or more special funds, called "capital
18 reserve funds," and may pay into those capital reserve funds the
19 proceeds of the sale of bonds and other money available to the corpo-
20 ration from other sources for the purposes of the capital reserve
21 funds. A capital reserve fund may be established only if the board
22 determines that the establishment of the fund would enhance the mar-
23 ketability of the bonds. Money in a capital reserve fund, except as
24 provided in this section, may be used as required only for the (1)
25 payment of the principal of, and interest on, bonds or of the sinking
26 fund payments with respect to those bonds; (2) purchase or redemption
27 of the bonds; or (3) payment of a redemption premium required to be
28 paid when the bonds are redeemed before maturity. However, money in a
29 capital reserve fund may not be withdrawn if the withdrawal would

1 reduce the amount in the capital reserve fund to less than the capital
2 reserve fund requirement, except for the purpose of making payment,
3 when due, of principal, interest, or redemption premiums on the bonds
4 when other money of the corporation is not available for the payments.
5 Income or interest earned by, or increment to, a capital reserve fund,
6 from the investment of all or part of the fund, may be transferred by
7 the corporation to other funds or accounts of the corporation if the
8 transfer does not reduce the amount of the capital reserve fund below
9 the capital reserve fund requirement.

10 (b) If the board decides to issue bonds secured by a capital
11 reserve fund, the bonds may not be issued if the amount in the capital
12 reserve fund is less than the capital reserve fund requirement, unless
13 the corporation, at the time of issuance of the bonds, pledges to
14 deposit in the capital reserve fund from the proceeds of the bonds to
15 be issued or from other sources, an amount that, together with the
16 amount then in the fund, is not less than the capital reserve fund
17 requirement.

18 (c) In computing the amount of a capital reserve fund for the
19 purpose of this section, securities in which all or a portion of the
20 fund is invested and credit facilities deposited in or credited to a
21 capital reserve fund under (f) of this section shall be valued by a
22 reasonable method established by the board by resolution. Valuation
23 shall include the amount of interest earned or accrued as of the date
24 of valuation.

25 (d) By January 15 of each year, the chairman of the board shall
26 certify in writing to the governor and the legislature the amount, if
27 any, required to restore a capital reserve fund to the capital reserve
28 fund requirement. The legislature may appropriate to the corporation
29 the amount certified by the chairman. The corporation shall deposit

1 the amounts appropriated under this subsection during a fiscal year in
2 the proper capital reserve fund. This subsection does not create a
3 debt or liability of the state.

4 (e) The board may establish reserve funds, other than capital
5 reserve funds, to secure one or more issues of bonds of the corpo-
6 ration. The corporation may deposit in a reserve fund established
7 under this subsection the proceeds of sale of its bonds and other
8 money available from any other source. The corporation may allow a
9 reserve fund established under this subsection to be depleted without
10 complying with (d) of this section.

11 (f) The corporation may hold in a capital reserve fund, in lieu
12 of money and in satisfaction of all or part of a capital reserve fund
13 requirement, irrevocable letters of credit issued by a commercial
14 bank, surety bonds, insurance policies, and similar credit facilities.

15 (g) In this section, "capital reserve fund requirement" means
16 the amount required to be on deposit in the capital reserve fund as of
17 the date of computation as determined by resolution of the board.

18 Sec. 14.42.250. VALIDITY OF PLEDGE. It is the intention of the
19 legislature that a pledge made in respect to bonds of the corporation
20 shall be valid and binding from the time the pledge is made; that the
21 money or property so pledged and thereafter received by the corpora-
22 tion shall immediately be subject to the lien of the pledge without
23 physical delivery or further act; and that the lien of the pledge
24 shall be valid and binding as against all parties having claims of any
25 kind in tort, contract, or otherwise against the corporation irrespec-
26 tive of whether the parties have notice. Neither the resolution,
27 trust agreement, nor other instrument by which a pledge is created
28 need be recorded or filed under the provisions of the Uniform Commer-
29 cial Code (AS 45.01 - AS 45.09) to be valid, binding, or effective.

1 Sec. 14.42.260. NONLIABILITY ON BONDS. (a) .The members of the
2 board and individuals executing the bonds of the corporation are not
3 liable personally on the bonds or subject to personal liability or
4 accountability by reason of the issuance of the bonds.

5 (b) The bonds issued by the corporation do not constitute an
6 indebtedness or other liability of the state or of a political sub-
7 division of the state, except the corporation, but shall be payable
8 solely from the income and receipts or other funds or property of the
9 corporation. The corporation may not pledge the faith or credit of
10 the state, or of a political subdivision of the state, except the
11 corporation, to the payment of a bond. Issuance of a bond by the
12 corporation does not directly, indirectly, or contingently obligate
13 the state or a political subdivision of the state to apply money from,
14 or levy or pledge any form of taxation whatever to the payment of the
15 bond.

16 Sec. 14.42.265. UNDERWRITERS. The board may select an
17 underwriter for its bonds in accordance with procedures the board
18 considers appropriate. However, the procedures must include a
19 competitive method for selecting the underwriter.

20 Sec. 14.42.270. PLEDGE AND AGREEMENT OF STATE. The state
21 pledges to and agrees with holders of bonds issued by the corporation
22 that the state will not limit or alter the rights and powers vested in
23 the corporation under AS 14.42.100 - 14.42.330 to fulfill the terms of
24 a contract made by the corporation with the bondholders or in any way
25 impair the rights and remedies of the bondholders until the bonds,
26 together with the interest on them with interest on unpaid install-
27 ments of interest, and all costs and expenses in connection with an
28 action or proceeding by or on behalf of the bondholders, are fully met
29 and discharged. The corporation may include this pledge and agreement

1 of the state in a contract with bondholders.

2 Sec. 14.42.280. EXEMPTION FROM TAXATION. The real and personal
3 property of the corporation and its assets, income, and receipts are
4 declared to be the property of a political subdivision of the state
5 and devoted to an essential public and governmental function and
6 purpose, and the property, assets, income, receipts, and other in-
7 terests of the corporation are exempt from all taxes and special
8 assessments of the state or a political subdivision of the state,
9 including municipalities, school districts, public utility districts,
10 and other governmental units. Bonds of the corporation are declared
11 to be issued by a political subdivision of the state and for an essen-
12 tial public and governmental purpose, and the bonds, interest on them,
13 income from them, and transfer of them, and all assets, income, and
14 receipts pledged to pay or secure the payment of the bonds, or inter-
15 est on them, are exempt from taxation by or under the authority of the
16 state, except for inheritance and estate taxes and taxes on transfers
17 by or in contemplation of death.

18 Sec. 14.42.290. BONDS LEGAL INVESTMENTS FOR FIDUCIARIES. The
19 bonds of the corporation are securities in which public officers and
20 bodies of the state, municipalities, insurance companies, insurance
21 associations, other persons carrying on an insurance business, banks,
22 bankers, trust companies, savings banks, savings associations, build-
23 ing and loan associations, investment companies, other persons carry-
24 ing on a banking business, administrators, guardians, executors,
25 trustees, other fiduciaries, and other persons who are authorized to
26 invest in bonds or other obligations of the state, may properly and
27 legally invest funds including capital in their control or belonging
28 to them. Notwithstanding any other provisions of law, the bonds of
29 the corporation are also securities that may be deposited with and may

1 be received by public officers and bodies of the state and municipal-
2 ities for any purpose for which the deposit of bonds or other obliga-
3 tions of the state is now or may be authorized.

4 Sec. 14.42.300. OPERATION OF CERTAIN STATUTES EXCEPTED. (a)
5 The corporation is not a municipality as the term is defined in
6 AS 01.10.060. Except as provided in AS 14.42.190, the corporation is
7 not subject to AS 37. For all other purposes the corporation is a
8 political subdivision and an instrumentality of the state.

9 (b) The funds, income, and receipts of the corporation are not
10 money of the state, nor may real property in which the corporation has
11 an interest be considered land owned in fee by the state or to which
12 the state may become entitled or in any way land belonging to the
13 state, or state land referred to in art. VIII of the Alaska Constitu-
14 tion.

15 Sec. 14.42.310. ANNUAL AUDIT. The financial records of the
16 corporation shall be audited annually by the legislative auditor or by
17 a certified public accountant approved by the legislative auditor.
18 The legislative auditor may prescribe the form and content of the
19 financial records of the corporation and shall have access to these
20 records at any time.

21 Sec. 14.42.500. DEFINITIONS. In AS 14.42.100 - 14.42.500,

22 (1) "board" means the board of directors of the corpo-
23 ration;

24 (2) "corporation" means the Alaska Student Loan Corpora-
25 tion.

26 * Sec. 3. AS 14.43.090(a) is amended to read:

27 (a) There is created a scholarship revolving loan fund. The
28 fund shall be used to make scholarship loans to students selected
29 under AS 14.43.090 - 14.43.160, [AND] to pay the costs of collecting

1 scholarship [STUDENT] loans that are in default if those costs are not
2 recovered from the student, and to pay the costs of administering the
3 fund. Unless the instrument evidencing the scholarship loan has been
4 sold or assigned to the Alaska Student Loan Corporation, [. ALL]
5 repayments of principal and interest on a scholarship loan [LOANS]
6 shall be paid into the scholarship revolving loan fund. If money
7 estimated to be available [FROM SCHOLARSHIP LOAN REPAYMENTS] is inade-
8 quate to fully fund estimated scholarship loans for any fiscal year,
9 additional funding from the general fund may be requested and appro-
10 priated for that year.

11 * Sec. 4. AS 14.43.090 is amended by adding a new subsection to read:

12 (d) The student financial aid committee created under AS 14.43.-
13 095 may sell or assign notes and other instruments evidencing scholar-
14 ship loans to the Alaska Student Loan Corporation and enter into
15 agreements with the corporation relating to loans, the administration
16 of the student loan fund created under AS 14.42.210, and the payment
17 of and security for bonds of the corporation. Proceeds from the sale
18 or assignment of notes and other instruments shall be deposited in the
19 scholarship revolving loan fund.

20 * Sec. 5. AS 14.43.120(h) is amended to read:

21 (h) Security may not be required for a loan [THE LOANS];
22 however, provision shall be made for payment of all [ATTORNEY] fees
23 and costs [OF COURT IF EITHER OR BOTH ARE] incurred in collection of
24 the amount owed on the loan if it becomes delinquent or in default.

25 * Sec. 6. AS 14.43.120(i) is amended to read:

26 (i) If a loan is in default, the commission shall notify the
27 borrower that repayment of the remaining balance is accelerated and
28 due by sending the borrower a notice by registered or certified mail.
29 The permanent fund dividend of a borrower may be taken under

1 AS 43.23.065(b)(4) to satisfy the balance due on the defaulted loan.

2 * Sec. 7. AS 14.43.120(1) is amended to read:

3 (1) The state shall [WILL] pay the interest on that portion of a
4 loan that is not federally insured during

5 (1) the period in which the borrower is a full-time student
6 [BEFORE THE BEGINNING OF THE REPAYMENT PERIOD OF THE LOAN]; and

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

8 * Sec. 8. AS 14.43.120 is amended by adding a new subsection to read:

9 (r) The rate of interest, time of payment of an installment of
10 principal or interest, or other terms of a scholarship loan may be
11 modified if required to establish or maintain tax-exempt status under
12 26 U.S.C. 103 (Internal Revenue Code of 1986), as amended, for the
13 interest on bonds issued by the Alaska Student Loan Corporation.

14 * Sec. 9. AS 14.43.125 is amended by adding a new subsection to read:

15 (c) A person may not be awarded a scholarship loan under AS 14.-
16 43.090 - 14.43.160 if a family education loan is made on behalf of
17 that person under AS 14.43.710 - 14.43.790 or if that person receives
18 a teacher scholarship loan under AS 14.43.600 - 14.43.700 for the same
19 school year.

20 * Sec. 10. AS 14.43.255(a) is amended to read:

21 (a) There is created a memorial scholarship revolving loan fund.
22 The fund shall be used to provide educational scholarship loans to
23 students selected under AS 14.43.250 - 14.43.325. Unless the instru-
24 ment evidencing the memorial scholarship loan has been sold or as-
25 signed to the Alaska Student Loan Corporation, repayments [REPAYMENTS]
26 of a loan [LOANS MADE UNDER AS 14.43.250(b)(1) - (4)] shall be de-
27 posited into the memorial scholarship revolving loan fund and [REPAY-
28 MENTS OF LOANS MADE UNDER AS 14.43.250(b)(5) SHALL BE DEPOSITED INTO
29 THE SCHOLARSHIP REVOLVING LOAN FUND CREATED UNDER AS 14.43.090.

1 REPAYMENTS] shall be used to make new loans.

2 * Sec. 11. AS 14.43.255 is amended by adding a new subsection to read:

3 (c) The student financial aid committee created under AS 14.43.-
4 095 may sell or assign notes and other instruments evidencing memorial
5 scholarship loans to the Alaska Student Loan Corporation and enter
6 into agreements with the corporation relating to loans, the adminis-
7 tration of the student loan fund created under AS 14.42.210, and the
8 payment of and security for bonds of the corporation. Proceeds from
9 the sale or assignment of a note or other instrument shall be de-
10 posited in the appropriate memorial scholarship loan fund account.

11 * Sec. 12. AS 14.43.620 is amended to read:

12 Sec. 14.43.620. TEACHER SCHOLARSHIP REVOLVING LOAN FUND. There
13 is created a teacher scholarship revolving loan fund. The fund shall
14 be used to make scholarship loans to students selected under AS 14.-
15 43.600 - 14.43.700. Unless the instrument evidencing the teacher
16 scholarship loan has been sold or assigned to the Alaska Student Loan
17 Corporation, [ALL] repayments of principal and interest on a teacher
18 scholarship loan [LOANS] shall be paid into the teacher scholarship
19 revolving loan fund and shall be used to make new teacher scholarship
20 loans. If estimated funds available [FROM TEACHER SCHOLARSHIP LOAN
21 REPAYMENTS] are inadequate to fully fund estimated teacher scholarship
22 loans for any fiscal year, additional funding from the general fund
23 may be requested and appropriated for that year.

24 * Sec. 13. AS 14.43.620 is amended by adding a new subsection to read:

25 (b) The student financial aid committee created under AS 14.43.-
26 095 may sell or assign notes and other instruments evidencing teacher
27 scholarship loans to the Alaska Student Loan Corporation and enter
28 into agreements with the corporation relating to loans, the adminis-
29 tration of the student loan fund created under AS 14.42.210 and the

1 payment of and security for bonds of the corporation. Proceeds from
2 the sale or assignment of the notes or other instruments shall be
3 deposited in the teacher scholarship revolving loan fund.

4 * Sec. 14. AS 14.43.640(b) is amended to read:

5 (b) If a borrower meets the conditions provided in (a) of this
6 section and is employed as a teacher in a rural elementary or second-
7 ary school, the portion of the loan that shall be paid by the state
8 [, NOTWITHSTANDING AS 14.43.120(j),] is the following percentages of
9 the total loan received plus interest up to a total of 100 percent of
10 the total loan:

- 11 (1) one year employment, 15 percent;
- 12 (2) two years employment, an additional 15 percent;
- 13 (3) three years employment, an additional 15 percent;
- 14 (4) four years employment, an additional 25 percent;
- 15 (5) over four years employment, an additional 30 percent.

16 * Sec. 15. AS 14.43.650(c) is repealed and reenacted to read:

17 (c) A student may not be awarded a teacher scholarship loan
18 under AS 14.43.600 - 14.43.700 if a family education loan is made on
19 behalf of the student under AS 14.43.710 - 14.43.790 or if the student
20 receives a scholarship loan under AS 14.43.090 - 14.43.160 for the
21 same school year.

22 * Sec. 16. AS 14.43 is amended by adding new sections to read:

23 ARTICLE 8. ALASKA FAMILY EDUCATION LOAN PROGRAM.

24 Sec. 14.43.710. PROGRAM ESTABLISHED. The Alaska family educa-
25 tion loan program is established to provide low interest loans to
26 families to assist in paying the costs of postsecondary education for
27 family members.

28 Sec. 14.43.720. FAMILY EDUCATION LOAN ACCOUNT. (a) The family
29 education loan account is created within the scholarship revolving

1 loan fund (AS 14.43.090). The account shall be used to make family
2 education loans to families selected under AS 14.43.710 - 14.43.790,
3 to pay the costs of collecting family education loans that are in
4 default if those costs are not recovered from the family, and to pay
5 the costs of administering the account. Unless the instrument evi-
6 dencing the family education loan has been sold or assigned to the
7 Alaska Student Loan Corporation, repayments of principal and interest
8 on family education loans shall be paid into the family education loan
9 account. If estimated funds available from family education loan
10 repayments are inadequate to fully fund estimated family education
11 loans in a fiscal year, additional funding from the general fund may
12 be requested and appropriated for that year.

13 (b) The student financial aid committee created under AS 14.43.-
14 095 may sell or assign notes and other instruments evidencing family
15 education loans to the Alaska Student Loan Corporation and enter into
16 agreements with the corporation relating to loans, the administration
17 of the student loan fund created under AS 14.42.210, and the payment
18 of and security for bonds of the corporation. Proceeds from the sale
19 or assignment of notes and other instruments shall be deposited in the
20 family education loan account.

21 Sec. 14.43.730. ADMINISTRATION. The family education loan
22 program shall be administered by the student financial aid committee
23 (AS 14.43.095) under regulations adopted by the committee.

24 Sec. 14.43.740. LOAN TERMS AND CONDITIONS. (a) The provisions
25 of AS 14.43.100, 14.43.110, 14.43.115, 14.43.120(a) - (d), (i), (m),
26 and (r), and 14.43.135, apply to a loan made under AS 14.43.710 -
27 14.43.790.

28 (b) The provisions of AS 14.43.120(p) apply to a loan made under
29 AS 14.43.710 - 14.43.790 with respect to the family member on whose

1 behalf a loan is made.

2 (c) Interest on a loan made under AS 14.43.710 - 14.43.790 is at
3 a rate of five percent a year unless the loan is in default. Interest
4 on a loan that is in default is 10 percent a year.

5 (d) Repayment of the principal and interest on a loan made under
6 AS 14.43.710 - 14.43.790 begins on the first of the month immediately
7 following loan disbursement. The loan may be cancelled without preju-
8 dice at any time before actual disbursement. The loan shall provide
9 for repayment of the total amount owed in periodic installments in not
10 more than 10 years from the commencement of repayment. If the commis-
11 sion and the borrower agree to a different repayment schedule, the
12 borrower shall repay the loan in accordance with the agreement.

13 (e) Provision shall be made for payment by the borrower of fees
14 and costs incurred in collection of delinquent or defaulted loans.

15 Sec. 14.43.750. ELIGIBILITY. (a) A person may apply for and
16 obtain a family education loan on behalf of a family member if

17 (1) the borrower is a resident of the state at the time of
18 application for the loan; for purposes of this paragraph, a borrower
19 qualifies as a resident of the state if the borrower has been phys-
20 ically present in the state for at least two years immediately before
21 the time of application for the loan;

22 (2) the family member has been claimed as a dependent for
23 federal tax purposes by the borrower for the tax year immediately
24 before the time of application and

25 (A) is enrolled as a full-time student in a career
26 education, associate, baccalaureate, or graduate degree program;

27 or

28 (B) is a graduate of a high school or the equivalent,
29 or scheduled for graduation from a high school within six months,

1 with sufficient credits to be admitted to a career education
2 program or to an accredited college or university; and

3 (3) neither the borrower nor the family member is delin-
4 quent or in default on a previously awarded student loan from the
5 state.

6 (b) A family education loan may not be made on behalf of a
7 family member if the family member receives a scholarship loan under
8 AS 14.43.090 - 14.43.160 or a teacher scholarship loan under AS 14.-
9 43.600 - 14.43.700 for the same school year.

10 Sec. 14.43.790. DEFINITIONS. (a) In AS 14.43.710 - 14.43.790

11 (1) "default" means a loan that is 120 days or more past
12 due in repayment;

13 (2) "delinquent" means a loan that is 60 days or more past
14 due in repayment.

15 (b) The definitions set out in AS 14.43.160 apply to AS 14.43.-
16 710 - 14.43.790.

17 * Sec. 17. AS 43.23 is amended by adding a new section to read:

18 Sec. 43.23.067. CLAIMS OF DEFAULTED SCHOLARSHIP LOANS. (a)
19 AS 09.38 does not apply to permanent fund dividends taken under
20 AS 14.43.120(i). Notwithstanding AS 09.35, execution on a claim under
21 AS 14.43.120(i) is accomplished by delivering a certified claim to the
22 department containing the following information:

23 (1) the name and social security number of the individual
24 whose dividend is being claimed;

25 (2) the amount the individual owes on the scholarship loan;
26 and

27 (3) a statement that

28 (A) the debt has not been contested, or, if contested,
29 that the issue has been resolved in favor of the Alaska

1 Commission on Postsecondary Education; and

2 (B) if the debt has been contested and resolved in
3 favor of the Alaska Commission on Postsecondary Education, no
4 appeal is pending, the time limit for filing an appeal has ex-
5 pired, or the appeal has been resolved in favor of the commis-
6 sion.

7 (b) Upon receipt of a claim under (a) of this section the de-
8 partment shall notify the individual of the claim. The notice shall
9 be sent to the address provided in the individual's permanent fund
10 dividend application and must provide the following information:

11 (1) the amount of the claim; and

12 (2) notice that the amount of the permanent fund dividend
13 that does not exceed the amount of the claim shall be paid to the
14 Alaska Commission on Postsecondary Education unless the commission
15 releases the claim or the individual requests a hearing within 30 days
16 after the date the notice is sent by the department.

17 (c) AS 44.62.330 - 44.62.630 apply to a hearing requested by an
18 individual under (b)(2) of this section. If a request for a hearing
19 is not received by the department within the required time limit, the
20 department shall pay to the Alaska Commission on Postsecondary Educa-
21 tion the amount of the permanent fund dividend that does not exceed
22 the amount of the claim.

23 * Sec. 18. AS 14.43.120(j) and 14.43.120(o) are repealed.

24 * Sec. 19. This Act takes effect July 1, 1987.