

1 IN THE HOUSE BY DAVIDSON AND LARSON

2 HOUSE BILL NO. 148

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 family education loans."

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

8 * Section 1. FINDINGS AND INTENT. (a) The legislature finds that
9 there has been an increasing tendency for students to acquire large debts
10 in pursuit of postsecondary education and training. The legislature fur-
11 ther finds that families have increasingly shifted the burden for financing
12 postsecondary study directly to the student.

13 (b) It is the intent of the legislature to establish the Alaska
14 family education loan program to

15 (1) provide low interest loans to families of students pursuing
16 postsecondary education and training;

17 (2) encourage family involvement in the responsibility for
18 funding the postsecondary education of dependent students;

19 (3) reduce the debt burden placed upon young Alaskans in pursuit
20 of college or career training; and

21 (4) enhance the cash flow of the student loan revolving fund by
22 eliminating the in-school interest subsidy for many borrowers.

23 * Sec. 2. AS 14.43 is amended by adding new sections to read:

24 ARTICLE 8. ALASKA FAMILY EDUCATION LOAN PROGRAM.

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

29 Sec. 14.43.720. FAMILY EDUCATION LOAN ACCOUNT. The family

1 education loan account is created within the scholarship revolving
2 loan fund (AS 14.43.090). The account shall be used to make family
3 education loans to families selected under AS 14.43.710 - 14.43.790.
4 Repayments of principal and interest on family education loans shall
5 be paid into the family education loan account. If estimated funds
6 available from family education loan repayments are inadequate to
7 fully fund estimated family education loans in a fiscal year, addi-
8 tional funding from the general fund may be requested and appropriated
9 for that year.

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

13 Sec. 14.43.740. LOAN TERMS AND CONDITIONS. (a) The provisions
14 of AS 14.43.100, 14.43.110, 14.43.115, 14.43.120(a), (b), (c), (d),
15 (i), and (m), and 14.43.135, apply to a loan made under AS 14.43.710 -
16 14.43.790.

17 (b) The provisions of AS 14.43.120(j), (o), and (p) apply to a
18 loan made under AS 14.43.710 - 14.43.790 with respect to the family
19 member on whose behalf a loan is made.

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

23 (d) Repayment of the principal and interest on a loan made under
24 AS 14.43.710 - 14.43.790 begins on the first of the month immediately
25 following loan disbursement. The loan may be cancelled without preju-
26 dice at any time before actual disbursement. The loan shall provide
27 for repayment of the total amount owed in periodic installments in not
28 more than 10 years from the commencement of repayment. If the commis-
29 sion and the borrower agree to a different repayment schedule, the

1 borrower shall repay the loan in accordance with the agreement.

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

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

6 (1) the borrower is a resident of the state at the time of
7 application for the loan; for purposes of this paragraph, a borrower
8 qualifies as a resident of the state if the borrower has been phys-
9 ically present in the state for at least two years immediately before
10 the time of application for the loan;

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

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

17 (B) is a graduate of a high school or the equivalent,
18 or scheduled for graduation from a high school within six months,
19 with sufficient credits to be admitted to a career education
20 program or to an accredited college or university; and

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

24 (b) A family education loan may not be made on behalf of a
25 family member if the family member receives a scholarship loan under
26 AS 14.43.090 - 14.43.160 or a teacher scholarship loan under AS 14.-
27 43.600 - 14.43.700 for the same school year.

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

29 (1) "default" means a loan that is 120 days or more past

1 due in repayment;

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

4 (b) The definitions set out in AS 14.43.160 apply to AS 14.43.-
5 710 - 14.43.790.

6 * Sec. 3. AS 14.43.125 is amended by adding a new subsection to read:

7 (c) A person may not be awarded a scholarship loan under AS 14.-
8 43.090 - 14.43.160 if a family education loan is made on behalf of
9 that person under AS 14.43.710 - 14.43.790 or if that person receives
10 a teacher scholarship loan under AS 14.43.600 - 14.43.700 for the same
11 school year.

12 * Sec. 4. AS 14.43.650(c) is repealed and reenacted to read:

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