

HOUSE BILL NO. 506

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE BY REQUEST

Introduced: 2/16/94

Referred: Health, Education & Social Services, Labor & Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to student loans; to sanctions for defaulting on a student loan,
2 including denial of a state occupational license or disbursement of state money;
3 and providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * Section 1. AS 08.02 is amended by adding a new section to read:

6 Sec. 08.02.025. COMPLIANCE WITH STUDENT LOAN REQUIREMENTS.

7 (a) A person licensed under this title shall comply with the student loan repayment
8 provisions under AS 14.43 that are applicable to the person. Notwithstanding another
9 provision of law, a license issued to a person under this title may not be renewed if
10 the Department of Commerce and Economic Development has received notice from
11 the Alaska Commission on Postsecondary Education that the licensee is in default on
12 a student loan provided to the licensee. Denial of renewal of a license shall continue
13 until the Department of Commerce and Economic Development receives notice from
14 the Alaska Commission on Postsecondary Education that the licensee is no longer in

1 default on the student loan.

2 (b) The Department of Commerce and Economic Development shall provide
3 the applicable licensing board, if any, a copy of a notice received under (a) of this
4 section.

5 * Sec. 2. AS 14.43.120(f) is repealed and reenacted to read:

6 (f) Interest on a loan made under AS 14.43.090 - 14.43.160 is equal to the
7 interest rate

8 (1) paid in each year on bonds issued by the Alaska Student Loan
9 Corporation under AS 14.42.220; and

10 (2) necessary to pay a percentage of the administrative cost of the
11 student loan program that is represented by the loan; in determining a rate of interest
12 under this paragraph, the commission shall use a method that ensures that the rate of
13 interest is as low as possible without precluding the ability of the commission to
14 administer loans made under AS 14.43.090 - 14.43.160.

15 * Sec. 3. AS 14.43.120(i) is amended to read:

16 (i) If a loan is in default, the commission

17 (1) shall notify the borrower that repayment of the remaining balance
18 is accelerated and due by sending the borrower a notice by registered or certified mail;

19 (2) may take the borrower's [. THE] permanent fund dividend [OF
20 A BORROWER MAY BE TAKEN] under AS 43.23.065(b)(3) to satisfy the balance
21 due on the defaulted loan;

22 (3) shall provide notice of the default to the Department of
23 Administration as required under AS 37.10.010(b); and

24 (4) shall provide notice of the default to the Department of
25 Commerce and Economic Development, if the loan recipient is licensed under
26 AS 08.

27 * Sec. 4. AS 14.43 is amended by adding a new section to read:

28 Sec. 14.43.122. CONSOLIDATION OF LOANS. (a) The commission may
29 offer

30 (1) a borrower who has received more than one loan under this chapter
31 the option of consolidating the multiple loans into a single loan; or

1 (2) to consolidate loans made to married borrowers if the married
2 borrowers agree to be jointly and severally liable for repayment of the consolidated
3 loan, regardless of the borrowers' future marital status or the death of one of the
4 borrowers.

5 (b) Notwithstanding AS 14.43.120(f), if loans are consolidated under (a) of this
6 section, the consolidated loan shall bear annual interest equal to the weighted average
7 of the interest rates on the loans being consolidated, rounded to the nearest whole
8 percent.

9 * Sec. 5. AS 14.43.125(a) is amended to read:

10 (a) A person may apply for and obtain a scholarship loan if the person

11 (1) is

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

14 (B) enrolled as a half-time student in a career education,
15 associate, baccalaureate, or graduate degree program in

16 (i) the state; or

17 (ii) a career education, associate, baccalaureate, or
18 graduate degree program and is physically present in the state while
19 attending the career education, associate, baccalaureate, or graduate
20 degree program; or

21 (C) a graduate of a high school or the equivalent, or scheduled
22 for graduation from a high school within six months, with sufficient credits to
23 be admitted to a career education program or to an accredited college or
24 university;

25 (2) is not delinquent or in default on a previously awarded scholarship
26 loan; and

27 (3) is a resident of the state at the time of application for the loan; for
28 purposes of this section, a person qualifies as a resident of the state if at the time of
29 application for the loan the person

30 (A) has been physically present in the state for at least two
31 years immediately before the time of application for the loan;

1 (B) is dependent on a parent or guardian for care, the parent or
2 guardian has been present in the state for at least two years immediately before
3 the time of application for the loan and the person has been present in the state
4 for at least one year of the immediately preceding five years except that the
5 commission may by a two-thirds vote, acting upon a written appeal by the
6 person, grant an exemption to the requirement that the person has been present
7 in the state for one year of the immediately preceding five years;

8 (C) has been physically present in the state, or is a dependent
9 of a parent or guardian who has been physically present in the state, for at least
10 two years immediately before the applicant was absent from the state and the
11 absence is due solely to

12 (i) serving an initial period of up to six years on active
13 duty as a member of the armed forces of the United States;

14 (ii) serving for up to three years as a full-time volunteer
15 under the Peace Corps Act;

16 (iii) serving for up to three years as a full-time volunteer
17 under the Domestic Volunteer Service Act of 1973;

18 (iv) required medical care for the applicant or the
19 applicant's immediate family;

20 (v) being a person who otherwise qualifies as a resident
21 and is accompanying a spouse who qualifies as a resident under (i) -
22 (iv) of this paragraph; or

23 (D) has been physically present in the state, or is a dependent
24 of a parent or guardian who has been physically present in the state, for at least
25 two years immediately before the applicant or the parent or guardian was
26 absent from the state and the absence is due solely to

27 (i) participating in a foreign exchange student program
28 recognized by the commission;

29 (ii) attending a school as a full-time student;

30 (iii) full-time employment by the state;

31 (iv) being a member of or employed full-time by the

1 state's congressional delegation;
2 (v) being a person who otherwise qualifies as a resident
3 and is accompanying a spouse who qualifies as a resident under (i) -
4 (iv) of this paragraph; [AND]
5 (4) does not have a past due child support obligation established by
6 court order or by the child support enforcement division under AS 25.27.160 -
7 25.27.220 at the time of application; and
8 (5) has not, within the previous five years, had a scholarship loan
9 discharged or written off by the commission for any reason.

10 * Sec. 6. AS 14.43 is amended by adding a new section to read:

11 Sec. 14.43.150. ORDER TO ASSIGN WAGES FOR DEFAULTED LOAN.

12 (a) In a court proceeding regarding a defaulted loan under this chapter in which the
13 court has entered judgment in favor of the commission, the court may, on its own
14 motion or motion of the commission, after notice and an opportunity for hearing, order
15 the loan recipient to assign to the commission that portion of salary or wages due the
16 loan recipient currently and in the future in an amount sufficient to pay the amount
17 ordered by the court to be repaid to the commission.

18 (b) The order of assignment is binding upon an employer upon service of a
19 copy of the order upon the employer and until further order of the court. The
20 employer may, for each payment made under the order, deduct \$1 from other wages
21 or salary owed to the employee.

22 (c) An assignment of wages made under court order has priority as against an
23 attachment, execution, or other assignment, except for an assignment of child support
24 under AS 25.27 or as otherwise ordered by the court.

25 (d) An employer may not terminate an employee's employment because wages
26 of the employee are subject to an order under this section.

27 * Sec. 7. AS 14.43.740(b) is amended to read:

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 borrower [FAMILY MEMBER ON
30 WHOSE BEHALF A LOAN IS MADE].

31 * Sec. 8. AS 14.43.750(a) is amended to read:

1 **(a) A person may apply for and obtain a family education loan on behalf of**
2 **a family member if**

3 **(1) the borrower is a resident of the state at the time of application for**
4 **the loan; for purposes of this paragraph, a borrower qualifies as a resident of the state**
5 **if the borrower has been physically present in the state for at least one year [TWO**
6 **YEARS] immediately before the time of application for the loan;**

7 **(2) the family member [HAS BEEN CLAIMED AS A DEPENDENT**
8 **FOR FEDERAL TAX PURPOSES BY THE BORROWER FOR THE TAX YEAR**
9 **IMMEDIATELY BEFORE THE TIME OF APPLICATION AND]**

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

12 **(B) is a graduate of a high school or the equivalent, or**
13 **scheduled for graduation from a high school within six months, with sufficient**
14 **credits to be admitted to a career education program or to an accredited college**
15 **or university; and**

16 **(3) neither the borrower nor the family member is delinquent or in**
17 **default on a previously awarded student loan from the state.**

18 * **Sec. 9. AS 37.10.010 is amended to read:**

19 **Sec. 37.10.010. DISBURSEMENTS. Except as provided under (b) of this**
20 **section, the [THE] Department of Administration shall**

21 **(1) disburse money only upon vouchers certified by the department,**
22 **establishment, or agency concerned, or an officer or employee of it authorized in**
23 **writing to certify the vouchers;**

24 **(2) make an examination of vouchers necessary to ascertain whether**
25 **they are in proper form, certified and approved, computed on the basis of the facts**
26 **certified; and**

27 **(3) be held accountable accordingly.**

28 * **Sec. 10. AS 37.10.010 is amended by adding a new subsection to read:**

29 **(b) The Department of Administration may not disburse money to a person**
30 **under (a) of this section if the department has received notice from the Alaska**
31 **Commission on Postsecondary Education that the person is in default on a student loan**

1 under AS 14.43. The prohibition against disbursement required under this subsection
2 shall remain effective until the Department of Administration receives notice from the
3 Alaska Commission on Postsecondary Education that the person is no longer in default
4 on the student loan.

5 • Sec. 11. Sections 5, 6, 7, and 8 of this Act take effect July 1, 1994.

6 • Sec. 12. Except as provided under sec. 11 of this Act, this Act takes effect July 1, 1995.