

CS FOR HOUSE BILL NO. 506(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/11/94

Referred: Rules

**Sponsor(s): HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE BY
REQUEST**

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; and providing for an effective
3 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 borrower and the Department of Commerce and Economic Development have
11 received notice from the Alaska Commission on Postsecondary Education that the
12 licensee is in default on a student loan provided to the licensee. This action may be
13 taken no sooner than 60 days after the Alaska Commission on Postsecondary
14 Education has notified the borrower of the default status of the loan as provided under

1 AS 14.43.120(i). Denial of renewal of a license shall continue until the Department
2 of Commerce and Economic Development receives notice from the Alaska
3 Commission on Postsecondary Education that the licensee is no longer in default on
4 the student loan.

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

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 AS 14.43.120(f) is repealed and reenacted to read:

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

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

13 (2) necessary to pay a percentage of the administrative cost of the
14 student loan program that is represented by the loan, but the amount under this
15 paragraph may not exceed three percent of the amount determined under (1) of this
16 subsection; in determining a rate of interest under this paragraph, the commission
17 shall use a method that ensures that the rate of interest is as low as possible without
18 precluding the ability of the commission to administer loans made under AS 14.43.090
19 - 14.43.160.

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

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

22 (1) shall notify the borrower that, if the borrower has an occupational
23 license issued under AS 08, the license may not be renewed under AS 08.02.025
24 and that repayment of the remaining balance is accelerated and due by sending the
25 borrower a notice by registered or certified mail;

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

29 (3) shall provide notice of the default to the Department of
30 Commerce and Economic Development, if the loan recipient is licensed under
31 AS 08.

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

2 **Sec. 14.43.122. CONSOLIDATION OF LOANS. (a) The commission may**
3 **offer**

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

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

10 (b) Notwithstanding AS 14.43.120(f), if loans are consolidated under (a) of this
11 section, the consolidated loan shall bear annual interest equal to the weighted average
12 of the interest rates on the loans being consolidated, rounded to the nearest 1/10 of a
13 percent.

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

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

16 (1) is

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

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

21 (i) the state; or

22 (ii) a career education, associate, baccalaureate, or
23 graduate degree program and is physically present in the state while
24 attending the career education, associate, baccalaureate, or graduate
25 degree program; or

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

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

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

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

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

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

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

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

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

23 (iv) required medical care for the applicant or the
24 applicant's immediate family;

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

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

1 (i) participating in a foreign exchange student program,
2 recognized by the commission;

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

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

5 (iv) being a member of or employed full-time by the
6 state's congressional delegation;

7 (v) being a person who otherwise qualifies as a resident
8 and is accompanying a spouse who qualifies as a resident under (i) -
9 (iv) of this paragraph; [AND]

10 (4) does not have a past due child support obligation established by
11 court order or by the child support enforcement division under AS 25.27.160 -
12 25.27.220 at the time of application; and

13 (5) has not, within the previous five years, had a scholarship loan
14 discharged or written off by the commission for any reason.

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

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

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

23 (b) The order of assignment is binding upon an employer upon service of a
24 copy of the order upon the employer and until further order of the court or until the
25 employment of the obligee is terminated. The employer may, for each payment made
26 under the order, deduct \$1 from other wages or salary owed to the employee.

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

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

30 (b) The provisions of AS 14.43.120(p) apply to a loan made under
31 AS 14.43.710 - 14.43.790 with respect to the borrower [FAMILY MEMBER ON

1 **WHOSE BEHALF A LOAN IS MADE].**

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

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

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

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

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

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

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

20 * **Sec. 9. Sections 5, 6, 7, and 8 of this Act take effect July 1, 1994.**

21 * **Sec. 10. Except as provided under sec. 9 of this Act, this Act takes effect July 1, 1995.**