

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

BY THE HOUSE FINANCE COMMITTEE

Amended: 4/12/94
Offered: 4/11/94

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**

1 Education has notified the borrower of the default status of the loan as provided under
2 AS 14.43.120(i). If an appeal of a determination of default status is pending on behalf
3 of the licensee, the Alaska Commission on Postsecondary Education shall notify the
4 department and renewal may not be denied under this section until and unless the
5 appeal has been concluded and the default status affirmed. Denial of renewal of a
6 license shall continue until the Department of Commerce and Economic Development
7 receives notice from the Alaska Commission on Postsecondary Education that the
8 licensee is no longer in default on the student loan.

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

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 AS 14.43.120(f) is repealed and reenacted to read:

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

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

17 (2) necessary to pay the administrative cost of the student loan program
18 that is represented by the loan.

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

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

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

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

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

31 * Sec. 4. AS 14.43.120 is amended by adding a new subsection to read:

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(v) In determining a rate of interest under (f)(2) of this section

(1) the commission shall use a method that ensures that the rate of interest is as low as possible without precluding the ability of the commission to administer loans made under AS 14.43.090 - 14.43.160; and

(2) the total amount charged for administrative costs of the student loan program may not exceed two and one-half percent above the amount determined under (f)(1) of this section.

* Sec. 5. AS 14.43 is amended by adding a new section to read:

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

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

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

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

* Sec. 6. AS 14.43.125(a) is amended to read:

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

(1) is

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

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

(i) the state; or

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

1 degree program; or
2 (C) a graduate of a high school or the equivalent, or scheduled
3 for graduation from a high school within six months, with sufficient credits to
4 be admitted to a career education program or to an accredited college or
5 university;
6 (2) is not delinquent or in default on a previously awarded scholarship
7 loan; and
8 (3) is a resident of the state at the time of application for the loan; for
9 purposes of this section, a person qualifies as a resident of the state if at the time of
10 application for the loan the person
11 (A) has been physically present in the state for at least two
12 years immediately before the time of application for the loan;
13 (B) is dependent on a parent or guardian for care, the parent or
14 guardian has been present in the state for at least two years immediately before
15 the time of application for the loan and the person has been present in the state
16 for at least one year of the immediately preceding five years except that the
17 commission may by a two-thirds vote, acting upon a written appeal by the
18 person, grant an exemption to the requirement that the person has been present
19 in the state for one year of the immediately preceding five years;
20 (C) has been physically present in the state, or is a dependent
21 of a parent or guardian who has been physically present in the state, for at least
22 two years immediately before the applicant was absent from the state and the
23 absence is due solely to
24 (i) serving an initial period of up to six years on active
25 duty as a member of the armed forces of the United States;
26 (ii) serving for up to three years as a full-time volunteer
27 under the Peace Corps Act;
28 (iii) serving for up to three years as a full-time volunteer
29 under the Domestic Volunteer Service Act of 1973;
30 (iv) required medical care for the applicant or the
31 applicant's immediate family;

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

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

8 (i) participating in a foreign exchange student program
9 recognized by the commission;

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

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

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

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

17 (4) does not have a past due child support obligation established by
18 court order or by the child support enforcement division under AS 25.27.160 -
19 25.27.220 at the time of application; and

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

22 * Sec. 7. AS 14.43 is amended by adding a new section to read:

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

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

30 (b) The order of assignment is binding upon an employer upon service of a
31 copy of the order upon the employer and until further order of the court or until the

1 employment of the obligee is terminated. The employer may, for each payment made
2 under the order, deduct \$1 from other wages or salary owed to the employee.

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

5 * Sec. 8. AS 14.43.740(b) is amended to read:

6 (b) The provisions of AS 14.43.120(p) apply to a loan made under
7 AS 14.43.710 - 14.43.790 with respect to the borrower [FAMILY MEMBER ON
8 WHOSE BEHALF A LOAN IS MADE].

9 * Sec. 9. AS 14.43.750(a) is amended to read:

10 (a) A person may apply for and obtain a family education loan on behalf of
11 a family member if

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

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

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

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

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

27 * Sec. 10. Sections 6, 7, 8, and 9 of this Act take effect July 1, 1994.

28 * Sec. 11. Except as provided under sec. 10 of this Act, this Act takes effect July 1, 1995.