

COMMITTEE REPORT
HOUSE

(11)

FURTHER:

3/29/84

Date: 4-5-84

The Committee on FINANCE has had HB 681

"An Act relating to default on and collection of student loans."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 681 (FINANCE) same title new title
- and recommends do pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature]
[Signature]
Walt Furnace
[Signature]
[Signature]
MICHAEL H. RITZ

[Signature] (No Rec.)

[Signature]
 CHAIRMAN

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 681 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to default on and collection of
7 student loans; and providing for an effective date."

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

9 * Section 1. AS 14.43.090(a) is amended to read:

10 (a) There is created a scholarship revolving loan fund. The
11 fund shall be used to make scholarship loans to students selected
12 under AS 14.43.090 - 14.43.160 and to pay the costs of collecting
13 student loans that are in default if those costs are not recovered
14 from the student. All repayments of principal and interest on schol-
15 arship loans shall be paid into the scholarship revolving loan fund
16 [SHALL BE USED TO MAKE NEW SCHOLARSHIP LOANS]. If money estimated to
17 be [FUNDS] available from scholarship loan repayments is [ARE] inade-
18 quate to fully fund estimated scholarship loans for any fiscal year,
19 additional funding from the general fund may be requested and appro-
20 priated for that year.

21 * Sec. 2. AS 14.43.120(f) is amended to read:

22 (f) Interest on a loan given under AS 14.43.090 - 14.43.160 is
23 at the rate of five percent a year unless the loan is in default.
24 Interest on a loan that is in default is 10 percent a year.

25 * Sec. 3. AS 14.43.120(o) is amended to read:

26 (o) The provisions of (j) of this section do not apply to a loan
27 that is in default [TO A BORROWER NAMED IN A COMPLAINT AS A DEFENDANT
28 IN AN ACTION BY THE STATE OR BY THE COMMISSION TO SECURE PAYMENT OF
29 THE UNPAID BALANCE OF A LOAN MADE UNDER AS 14.43.110 OR 14.43.115].

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

2 (q) For the purposes of this section a loan is in default if a
3 loan payment is 120 or more days past due.

4 * Sec. 5. This Act takes effect immediately in accordance with AS 01.-
5 10.070(c).
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STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Page 1 of 2

Revision Date: _____

REQUEST
Bill/Resolution No. CSHB 681 (FIN.)
Title: Default and Collection
of Student Loans
Sponsor: Rules/Governor
Requestor: House HESS
Date of Request: 3/15/84

FISCAL DETAIL
Agency Affected: Education
Program Category Affected: Postsecondary
Commission
BRU, Program or Subprogram(s) Affected:
Student Financial Aid/Loans

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	N.A.	-0-	-0-	-0-	-0-	-0-
CAPITAL					(.5)	(8.5)
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	N.A.	-0-	-0-	-0-	(.5)	(8.5)
FEDERAL FUNDS						
OTHER						
TOTAL	N.A.	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

See attached.

ANALYSIS: Attach a separate page for analysis

Prepared By: Kerry D. Romesburg, Executive Director Phone: 465-2854
Division: Alaska Commission on Postsecondary Ed. Date: 3/15/84

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by Agency preparing fiscal note):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

12/1/83

FISCAL NOTE FOR: An Act relating to default on and collection of student loans.

1. The fiscal impact of this bill does not lend itself to the standard fiscal note form, so this memorandum is intended to serve as the impact statement.

2. Assumptions:

- a. Collection fees (those charged by private collections agencies, attorneys, courts, etc.) will be charged to the loan borrower and will simply increase the total debt.
- b. Additional interest will be generated by the new 120-day "trigger" clause, but this will not be a factor for a number of years, since it will not generate revenue until the FY85 borrowers are out of school, through their grace year, into repayment, and then in default on their repayment schedule. This will be a number of years into the future -- as many as five or six for many borrowers. Hence, it is not reflected on the normal fiscal impact projection.

3. Fiscal impact:

Fiscal Year	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>
Collection Costs	\$120.00	\$300.00	\$750.00	\$1,800.00	\$3,000.00
Add'l Program Receipts	<u>[120.00]</u>	<u>[300.00]</u>	<u>[750.00]</u>	<u>[1,800.00]</u>	<u>[3,000.00]</u>
Subtotal	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Add'l Interest	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>[.5]</u>	<u>[8.5]</u>
Total	\$ -0-	\$ -0-	\$ -0-	\$ [.5]	\$ [8.5]

~~BILL~~ SHEFFIELD
GOVERNOR



HB 681

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 13, 1984

The Honorable Joe Hayes
Alaska House of Representatives
Pouch V
Juneau, AK 99811

Dear Representative Hayes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to student loans that are in default. These amendments seek to reduce the number of loans that go into default and to enhance collection efforts.

Section 1 of the bill allows the Commission on Post-secondary Education to charge the costs of collecting student loans that are in default against the scholarship revolving loan fund if those costs are not recovered from the student.

Section 2 broadens the class of those who forfeit their entitlement to forgiveness of a portion of their loan. Under existing law, a borrower loses forgiveness benefits only upon being named a defendant in a suit for collection brought by the state. Under the proposed amendment, a borrower would lose forgiveness benefits once the loan becomes 120 days past due.

Section 3 provides that once a loan is in default, the interest rate increases from five percent a year to 10 percent a year.

Sincerely,

A handwritten signature in cursive script that reads "Bill Sheffield".

Bill Sheffield
Governor

Offered: 3/19/84
Referred: House Special Committee
on State Loans and Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2

CS FOR HOUSE BILL NO. 681 (HESS)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to default on and collection of
7 student loans."

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IN AN ACTION BY THE STATE OR BY THE COMMISSION TO SECURE PAYMENT OF

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THE UNPAID BALANCE OF A LOAN MADE UNDER AS 14.43.110 OR 14.43.115].

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

2 (q) For the purposes of this section a loan is in default if a
3 loan payment is 120 or more days past due.

Introduced: 2/13/84
Referred: Health, Education and
Social Services, House Special Committee
on State Loans and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 681

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

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HB 691

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