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SB 210 - AN ACT RELATING TO GUARANTEED STUDENT LOAN FINANCING

- SECTION 1 Grants the Commission on Post Secondary Education the authority to execute an agreement with the Alaska Industrial Development Authority(AIDA) to provide services.
- SECTION 2 (a) The Commission shall serve as the state guarantee agency
(b) establishes a student loan guarantee fund within the Commission, used only to guarantee loans under the provisions of the Higher Education Act(P.L. 89-327 as amended).
- SECTION 3 The Commission is given the authority to sell student loans held on January 1, 1983 to AIDA.
- SECTION 4 Amends Legislative finding and policy concerning AIDA:
*that there is a need in the state to provide financial assistance to students attending postsecondary institutions;
*that it is in the state's interest to provide financial assistance through participation in the federal insured student loan program;
*that AIDA has the expertise necessary to provide a guaranteed student loan program
- SECTION 5 Amends Purpose section of AIDA to incorporate the guaranteed student loan program.
- SECTION 6 Amends Powers section of AIDA statute to grant "all powers necessary" to provide for a guaranteed student loan program.
AIDA may:
Issue bonds.
Purchase or participate in the purchase of student loans from eligible lenders.
Sell or participate in the sale of student loans to eligible lenders or to the Student Loan Marketing Association.
Consent to the modification of interest rate, time of payment of an installment of principal or interest, and other terms of the student loan that would not obviate insurance coverage.
Collect and pay reasonable fees and charges in connection with sale or purchase of student loans.
Include an amount in the borrowing necessary to pay financing charges, interest, consulting, advisory, legal fees, and other expenses necessary to the borrowing.
Grants AIDA the authority to establish capital reserve funds or other funds and accounts for student loans.
- SECTION 7 Amends Administrative Procedure section of AIDA statute to include guaranteed student loan program.
- SECTION 8 Adds a new section to Title 44 to give AIDA the authority to execute an agreement with the Pos. Secondary Commission on servicing student loans and other assistance necessary to implement the guaranteed student loan program.

- SECTION 9 Allows AIDA to combine student loans for bond financing.
- SECTION 10 Suspends provisions of AS 44.88.090 (e) and (g)(2) in issuing bonds to finance student loans:
- (e) Before the issuance of any bonds, the authority shall make provision by lease or other agreement regarding the project or projects being financed by the issue of the bonds for rentals or other considerations at least sufficient, in the judgment of the authority, to pay the principal of and interest on the bonds as they become due and to create and maintain the reserves therefor as the authority considers necessary or desirable and to meet all obligations in connection with the lease or other agreement and all costs necessary to service the bonds unless the lease or agreement provides that the obligations are to be met or costs are to be paid by a party other than the authority.
 - (g) The authority may not
 - (2) issue revenue bonds other than refunding bonds for a project under this chapter in an amount greater than \$50,000,000 during any 12-month period beginning after June 30, 1981, unless the issuance is included separately in the estimates required in the report of the authority under AS 44.88.210(b) and unless the legislature, by law, approves the issuance.

Adds a new sub section (j) stating that the principal and interest on bonds issued for student loans will be paid from interest and principal payments on student loans, federal interest subsidies and special allowances from Higher Education Act, amounts available from the enterprise development fund, and other money and receipts from the proceeds of bonds issued for student loans.
- SECTION 11 Adds student loans to the state pledge to not limit or alter the rights and powers of AIDA to fulfill the terms of contracts.
- SECTION 12 Allows AIDA to use up to \$1,000,000 in money and assets of the enterprise development fund for student loans or to assist in financing student loans.
- SECTION 13 Provisions of (d) of the Enterprise Development Fund do not apply to student loans:
- (d) A loan purchased in whole or in part by the authority, other than a loan which is financed with the proceeds of bonds of the authority and secured only by a project applicant or a project,
 - (1) may not exceed
 - (A) \$10,000,000; or
 - (B) \$500,000 if the loan is purchased under AS 44.88.158;
 - (2) may not exceed the cost of the project or 75 percent of the appraised value of the project, whichever is less, unless the amount of the loan in excess of this limit is federally insured or guaranteed or is insured by a qualified mortgage insurance company;
 - (3) may not be for a term longer than three-quarters of the authority's estimate of the life of the project or 25 years from the date the loan is made, whichever is earlier;
 - (4) shall contain complete amortization provisions satisfactory to the authority requiring periodic payments by the borrower;
 - (5) shall be in the form and contain the terms and provisions with respect to insurance, repairs, alterations, payment of taxes and assessments, default reserves, delinquency charges, default remedies, acceleration of maturity, secondary liens and other matters the authority prescribes;

(6) shall be secured as to repayment by a mortgage or other security instrument in the manner the authority determines is feasible to assure timely repayment under a loan agreement entered into with the borrower;

(7) may not be made unless

(A) at least 10 percent of the principal amount of the loan is retained by the originator of the loan; or

(B) 100 percent of the principal amount of the loan is guaranteed by the United States or an agency or instrumentality of the United States;

(8) must be

(A) at least partially guaranteed by the United States or an agency or instrumentality of the United States, subject to the provisions of AS 44.88.158; or

(B) financed from the proceeds of bonds; or

(C) expected by the authority to be financed from the proceeds of bonds.

SECTION 14 AS 44.88.160 does not apply to student loans:

Sec. 44.88.160. Findings of the authority. Before entering into a lease or other agreement as provided in AS 44.88.090(e) regarding a project for which bonds are agreed to be issued by the authority in an amount in excess of \$6,000,000, or before approving insurance or a commitment to insure a loan as provided in AS 44.88.157(b) with a principal amount in excess of \$6,000,000, there must have been filed with the authority a certified copy of a resolution of the governing body of the political subdivision of the state, if any, in which the project is to be located, consenting to the location (which consent need only refer to the general nature of the project ultimately to be acquired as set out in a request of the proposed project applicant). Before entering into a lease or other agreement as provided in AS 44.88.090(e) regarding a project, the authority must find, on the basis of all information reasonably available to it, that

(1) the project and its development under this chapter will be economically advantageous to the state and the general public welfare and will contribute to the economic growth of the state;

(2) the project applicant is financially responsible;

(3) provision to meet increased demand upon public facilities that might result from the project is reasonably assured;

(4) the project will provide or retain employment reasonably related to the amount of the financing by the authority considering the amount of investment per employee for comparable facilities and other relevant factors; and

(5) the scope of the project is sufficient to provide a reasonable expectation of a benefit to the economy of the state. (§ 1 ch 64 SLA 1967; am § 66 ch 106 SLA 1980)

SECTION 15 AS 44.88.165 does not apply to student loans:

Sec. 44.88.165. Delinquent loans. If more than two percent of the total outstanding balance of loans purchased from a financial institution under this chapter becomes delinquent for 90 days or more, the authority shall discontinue purchasing loans from that financial institution for which it has not already made a purchase commitment and may not make new commitments to purchase loans from that financial institution until the delinquency is reduced to less than two percent. (§ 42 ch 115 SLA 1981; am § 55 ch 113 SLA 1982)

SECTION 16 Definitions

SECTION 17 Effective Date.

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: SB 210
 Title: Student Loan Financing
 Sponsor: Governor
 Requestor: _____

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Devp.
 Program Category Affected: Development
 BRU, Program of Subprogram(s) Affected: Alaska Industrial Development Authority

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		0	0	0	0	0
CAPITAL		1,000	0	0	0	0
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)		1,000	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Program receipts from the Authority.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: B. L. Wagnon Phone: 274-1651
 Division: Alaska Industrial Development Authority Date: _____
 Approved by Commissioner: Richard A. Lyon Date: 5/2/83
 Department: Commerce & Economic Development

Distribution:

- Original to Legislative Finance
- Copy to Office of Management and Budget (for Legislature introduced bills)
- Copy to Department (for Governor introduced bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

3/8/83

5/2/83

SB 210

Joe, Rick,

Kerry Romesburg - Post-Sec Comm.

- to provide a market for Fed. guaranteed Student loan program.

- since loan prog. units are the same (6,000 - 7,000) there is less urgency to pass SB 210.

- Fed. loan has need requirement.

- max loan ^(ungrad) 2500/5000 (grad) to a max of 12,000

- designate F.B.C. as guarantor

- would be stand by legislation.

- other approach besides bonding

Student loan Marketing Assoc. will process loans through Post Sec - advance money for line of credit.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 25, 1983

The Honorable Jalmar Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting two bills relating to financial assistance for postsecondary students.

The first bill reduces the residency requirement for eligibility for a student loan from two years to one year, increases the interest rate to nine percent from the current rate of five percent, eliminates the loan forgiveness provisions in AS 14.43.125(j) and (o) and the point-system provisions in AS 14.43.130, and sets an application deadline of January 1 of the school year for which the loan is to be used.

The second bill authorizes the Alaska Industrial Development Authority (AS 44.88) to issue bonds to finance the purchase of student loans which are insured and eligible to receive interest subsidies and special allowance payments under the Higher Education Act of 1965 (P.L. 89-327), as amended. Private financial institutions will issue the loans in accordance with federal loan restrictions, and will in turn sell the loans to the authority. Since private financial institutions will not participate without an established secondary market for the loans, the bill is essential to promote greater state participation in the federal guaranteed student loan program. That federal program will then become a significant supplement to the state scholarship loan program under AS 14.43.090 -- 14.43.160.

These two bills increase the efficiency and fiscal economy of state financial assistance to Alaska undergraduate and graduate students. I therefore urge prompt favorable consideration of and action on these bills.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield
Governor

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: _____
 Title: "An Act relating to guaranteed student loan financing"
 Sponsor: Governor _____
 Requestor: Comm. on Postsecondary Ed.

II. FISCAL DETAIL

Agency Affected: Comm. on Postsecondary Ed.
 Program Category Affected: Education
 BRU, Program of Subprogram(s) Affected: Student Loans

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	
CAPITAL	-0-	-0-	-0-	-0-	-0-	
REVENUE	-0-	-0-	-0-	-0-	-0-	

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Kerry Romesburg Phone: 465-2854
 Division: Commission on Postsecondary Education Date: 3/24/83
 Approved by Commissioner: _____ Date: _____
 Department: _____

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3/8/83

Assumptions:

- a. The cost of a bond sale is approximately 3.5% per \$1 million in bonds. This would be a cost of the program, but would be initially covered by existing A.I.D.A. resources and then recovered over the life of the loan.
- b. An additional cost arises from contracting for collection of loans, but again this would be recovered from actual collections.
- c. Net cost could be zero, and, in fact, a positive cash flow should result.