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HOUSE COMMITTEE REPORT

(7)

Date Referred: April 29, 1995

FURTHER REFERRALS:

Date of Committee Action: 5/2/95

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered: CSSB 123(FIN)

CS FOR SENATE BILL NO. 123(FIN) POSTSECONDARY EDUCATION PROGRAMS

"An Act relating to student loan programs and fees for review of postsecondary education institutions; relating to a postsecondary student exchange program administered by the Western Interstate Commission on Higher Education; and providing for an effective date."

recommends it be replaced the same title
 with the following committee substitute _____ a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) Education 3/21/95

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	

CHAIR'S SIGNATURE *[Signature]*

STATE OF ALASKA

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

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MEMORANDUM

TO: House Health Education and
Social Services Committee

FROM: Dr. Joe L. McCormick
Executive Director

DATE: April 28, 1995

RE: CS SB 123(FIN)



The Senate version of CS SB 123(FIN) has four differences between the House version, CS HB 257(FIN).

	<u>Senate</u>	<u>House</u>
Title	"An Act . . . relating to a postsecondary student exchange program administered by the Western Interstate Commission on Higher Education; and . . .	"An Act . . . interstate compacts for postsecondary education, and . . .
Section 1 <i>Loan Limits:</i>		
14.43.110 (3)	\$6500 FT, \$3000 HT 30 or more weeks	\$5500 FT, \$2,000 HT 9 or more months
14.43.110 (4)	\$4500 FT, \$2000 HT less than 30, but at least 20 weeks	\$4000 FT, \$1500 HT less than 9 months
14.43.110 (5)	\$3000 FT, \$1000 HT less than 20, but more than 10 weeks	
Section 4 <i>Loan Maximum:</i>		
14.43.120(d)(3)	total of \$60,000	total of \$79,000
Section 17 <i>Loan Criteria:</i>		
14.43.125(d)	denies loans to individuals incarcerated full-time	Incarcerated individuals eligible for loans if scheduled for release within two months of completion date of education.

CSSB 123(FIN) am - SECTIONAL BILL ANALYSIS

Revised 4/25/95

Section 1 -- increases the annual borrowing maximum for college and university undergraduate and graduate students. The University of Alaska, which receives 60% of the ASLs, recently increased the tuition rates for all levels of study. Over the past 10 years, the University of Alaska has increased tuition by 140%, and during that same time, there have been no increase in loan limits. Graduated loan limits for career education programs reflects the costs relative to program length. The number of financial aid sources available for graduate students has dwindled, while the cost of education has increased at a steady pace. National statistics show that graduate/professional students repay their loans in the greatest numbers.

Section 2 -- changes guarantee fee to origination fee to more accurately describe the fee being assessed -- to offset for loan losses to the Revolving Loan Fund due to death, permanent and complete disability, bankruptcy, or default of the borrower.

Section 3 -- clarifies the Commission's authority to ensure the financial and administrative capability of an institution participating in the ASL. This section strengthens consumer protection and protects the ASL fund from unnecessary losses due to defaults and school closures.

Section 4 -- sets the borrowing maximum at a dollar amount rather than the **number of loan years** that a borrower is eligible, and caps the total amount borrowed to \$60,000. This is a more flexible and practical means of tracking student eligibility.

Section 5 -- eliminates the drain on the Revolving Loan Fund resulting from interest-free deferment periods. Under Sections 9 and 13, the borrower will become responsible for the interest if the State does not appropriate the money rather than placing the loss on the Alaska Student Loan program.

Section 6 -- amends the terms of repayment of the ASL as follows:

- a) the traditional 12-month grace period prior to the beginning of repayment is reduced to six months.
- b) a minimum monthly payment of \$50 per month is established.
- c) the number of years required to repay the loan is extended to fifteen years.

Section 7 -- simplifies the procedure for collection of the origination fee.

Section 8 -- eliminates requirement for certified or registered mail thus eliminating an unnecessary cost of administration. Once a loan is in a default status, the borrower will be notified by mail at the most recent address provided by the borrower.

Section 9 -- alters the following terms and conditions involving student loan deferments:

- a) interest on the loan will continue to accrue during periods of deferment as provided in Section 5;
- b) the six years of military deferment is reduced to three years; and
- c) borrower must be totally disabled to qualify for a medical deferment.

In order to move the Alaska Student Loan Program toward a self-sustaining, actuarially sound basis, these changes are essential.

Section 10 -- clarifies when a borrower's accrued interest will be paid by the State of Alaska.

Section 11 -- reduces administrative expenses by eliminating the need for continued renewal of a hardship deferment.

Section 12 -- extends the due diligence period on a loan from 120 to 180 days. This allows the borrower an additional 60 days to recover from temporary financial problems and prevent the loan from being declared in default.

Section 13 -- conforms with changes made in Section 5 and 9.

Section 14 -- provides consistency with changes made in Sections 2, 7 and 19, and allows the ACPE to set the origination fee amount by regulation, but not to exceed five percent of the loan amount. Additionally the fee is to be deducted from the disbursement rather than added to the principal and then deducted.

Section 15 -- contains technical amendments and amends the residence requirement to comply with a court decision reducing the residency requirement from two year to one year. The allowable absence length for military service is reduced from six to three years.

Section 16 -- allows a student to borrow on the student's own behalf in the ASL program at the same time a parent or spouse borrows on the student's behalf in the Family Education Loan program (FEL). **The total amount borrowed in both programs cannot exceed the student's cost of attendance.**

Section 17 -- makes incarcerated persons ineligible for ASL funds.

Section 18 -- gives delinquent student loans priority, behind child support enforcement, for garnishment of wages.

Section 19 -- provides consistency with Sections 7 and 14.

Section 20 -- caps the level in the Teacher Scholarship Loan (TSL) program to \$37,500 rather than the number of years of borrowing. This is consistent with changes in the ASL program in Section 4.

Section 21 -- consistent with the change in Section 16, allows a TSL recipient to borrow on the student's own behalf while a family member also borrows on the student's behalf.

Section 22 -- technical amendment: repeal of duplicitous language for graduate loan limits that is now covered in Section 1 of this bill.

Section 23 -- consistent with the change in Section 12, extending the due diligence period on the Family Education Loan from 120 to 180 days.

Section 24 -- clarifies that a loan obtained illegally by a person who does not meet the eligibility criteria must be paid in full upon demand.

Section 25 -- allows the ACPE to target funds administered as part of the Western Interstate Commission on Higher Education's (WICHE) Professional Student Exchange Program, and eliminates the specific categories previously in statute. This change would make possible the allotment of these funds in accordance with over-all needs of Alaskans.

Section 26 -- allows the ACPE to initiate user fees from non-accredited Postsecondary institutions, outside of Alaska, that wish to receive the proceeds of ASL loans. The fees would ensure that the state does not subsidize the review of outside institutions.

Section 27 -- repeals limits on the amount of loans that can be awarded in any one year; repeals separate section for graduate loan limits; and enables a family member to borrow a loan for a student at the same time the student is borrowing an ASL or TSL as referenced in Sections 16 and 21 of this bill.

Section 28 -- provides the Commission with interim authority to promulgate regulations to implement this bill.

Section 29 -- clarifies that loans disbursed after June 30, 1995 will be obligated to pay interest during deferments as referenced in Section 5.

Section 30 -- provides for an immediate effective date to promulgate regulations referenced in Section 28.

Section 31 -- provides for an effective date of this bill at the beginning of the fiscal year.

Analysis.doc