

HB

172

<target><bill>HB 172</bill><subject>HB
172</subject><comm>SF26</comm></target>

STATE OF ALASKA

ALASKA STUDENT LOAN CORPORATION

SARAH PALIN, GOVERNOR

P.O. BOX 110505
JUNEAU, ALASKA 99811-0505
VOICE (800) 441-2962
in Juneau (907) 465-6740
TDD (907) 465-3143
FAX (907) 465-3293

April 7, 2009

The Honorable Bert Stedman
Co-Chair
Senate Finance Committee
State Capitol, Room 516
Juneau, Alaska 99801

Re: HB109 – Eligibility for the Alaska supplemental education loan program

Dear Senator Stedman:

Thank you for your prompt action to schedule this bill before your committee. Provided below is additional information requested by members at that April 1 Finance Committee meeting. Given that the objective of the proposed legislation is to raise the credit requirement for individuals borrowing under the Alaska Supplemental Education Loan Program (ASEL), members understandably had questions about ASEL program delinquency and default rates, as well as the rates at which ASEL borrowers, unable to pay as agreed on the standard repayment schedule, utilize alternative repayment options to avoid default. Following are data (substantially all of which is as of 12/31/2008) in response to those questions:

- Total loans/principal balance – 95,114 - \$560.8 million
- Total loans/principal balance with default flag set¹ – 25,214 - \$120.6 million
- Principal balance of loans 271 or more days past due - \$81.9 million
- Total loans/principal balance in deferment/forbearance – 3,810 - \$27.6 million
- Total loans/principal balance in school/grace period – 22,747 - \$134.6 million
- Total loans/principal balance in repayment/not in default – 53,223 - \$316.7 million
- Total loans/principal balance of loans in repayment approved for reduced payments and/or extended repayment terms – 6,773 - \$31.8 million
- Average debt per borrower - \$16,000

As you can see, while the Alaska Student Loan Corporation has never failed to honor all of its obligations to bondholders, the history of extremely broad access and generous loan eligibility criteria has resulted in delinquency and defaults statistics that our past partners in the credit market can no longer discount in our favor. I urge prompt passage of HB109. This action is critical and will allow program manager to take the steps needed to accept and process loan applications for the 2009-2010 academic year. We anticipate that it will be at least 30 from enactment of the legislation for the new credit criteria to be in effect.

¹ The default flag sets when a loan becomes 270+ delinquent and remains set until the loan is repaid or otherwise discharged.

Senator Bert Stedman
April 7, 2009
Page - 2 -

If any other information or program data is desired please let me know. I urge your affirmative action on this legislation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Diane Barrans".

Diane Barrans
Executive Officer

DB/dv

STATE OF ALASKA

ALASKA STUDENT LOAN CORPORATION

SARAH PALIN, GOVERNOR

P.O. BOX 110505
JUNEAU, ALASKA 99811-0505
VOICE (800) 441-2962
In Juneau (907) 465-6740
TDD (907) 465-3143
FAX (907) 465-3293

April 10, 2009

The Honorable Bert Stedman
Co-Chair
Senate Finance Committee
State Capitol, Room 516
Juneau, Alaska 99801

Re: HB172 – Alaska Student Loan Corporation Interim Financing

Dear Senator Stedman:

Following is additional information requested by Co-Chair Hoffman and others during Wednesday's meeting. It is supplemental to my letter dated April 7 in regards to HB109.

Using borrowers' last known home addresses the following information was produced. Please bear in mind that these statistics are specific to Alaska Supplemental Education Loans; however, approximately 80% of ASLC's federally guaranteed loans are to students attending Alaska institutions.

- # loans/principal balance – 95,114 - \$560.8 million (64.3% in Alaska)
- # loans/principal balance with default flag set¹ – 25,214 - \$120.6 million (70% in Alaska)
- Principal balance of loans 271 or more days past due - \$81.9 million (46.5% in Alaska)
- # loans/principal balance in deferment/forbearance – 3,810 - \$27.6 million (48% in Alaska)
- # loans/principal balance in school/grace period – 22,747 - \$134.6 million (77.4% in Alaska)
- # loans/principal balance in repayment/not in default – 53,223 - \$316.7 million (65% in Alaska)
- Total loans/principal balance of loans in repayment approved for reduced payments and/or extended repayment terms – 6,773 - \$31.8 million (60.8% in Alaska)

During the discussion I was asked to survey other state's alternative education loan programs to determine how widespread the practice is of allowing residents to borrow for attendance at institutions in other states. In a survey of other non-federal lending programs, I was able to only identify two states, Texas and Michigan, where residents were prohibited from using the aid to attend institutions in other states. It is important to note that the educational options available to residents of Texas and Michigan include an exhaustive array of vocational, undergraduate, graduate and professional programs. This was very likely a factor in making loans in those states non-portable. It is also important to consider that restricting loans to in-state attendance would have the inevitable effect of reducing the number of borrowers to the detriment of the agency's scale of operations. Many costs of originating and servicing loans are fixed and

¹ The default flag sets when a loan becomes 270+ delinquent and remains set until the loan is repaid or otherwise discharged.

if spread across a smaller set of consumers would thereby increase their borrowing costs. This agency's ability to increase its customer base in recent years has been key to containing servicing costs relative to the size of the portfolio. By leveraging this lending model, over the past eight years ASLC has been able to provide borrower benefits totaling \$24.5 million.

Below is the requested information regarding ASLC costs of bonds issued in the last five years.

<u>ASLC Bonding Costs</u>			
<u>Bonds</u>	<u>Amount (in millions)</u>	<u>Average Annual Rate over last five years</u>	
		<u>Fixed</u>	<u>Variable ¹</u>
2003	\$ <u>47.0</u>		2.79%
2004	\$ 93.1		3.16%
	<u>22.0</u>	4.97%	
	\$ <u>115.1</u>		
2005	\$ <u>58.3</u>	4.54%	
2006	\$ 30.0		3.95%
	<u>55.0</u>	4.74%	
	\$ <u>85.0</u>		
2007	\$ 41.5		3.97%
	<u>67.5</u>	4.56%	
	\$ <u>109.0</u>		

¹ rate is re-set every 35 days on all bonds with the exception of the 2007 bonds where rates are re-set every 7 days.

Please advise if any other information or program data is desired. Again, thank you for your careful consideration of this legislation which is critically important to Alaska's students.

Sincerely,



Diane Barrans
 Executive Office

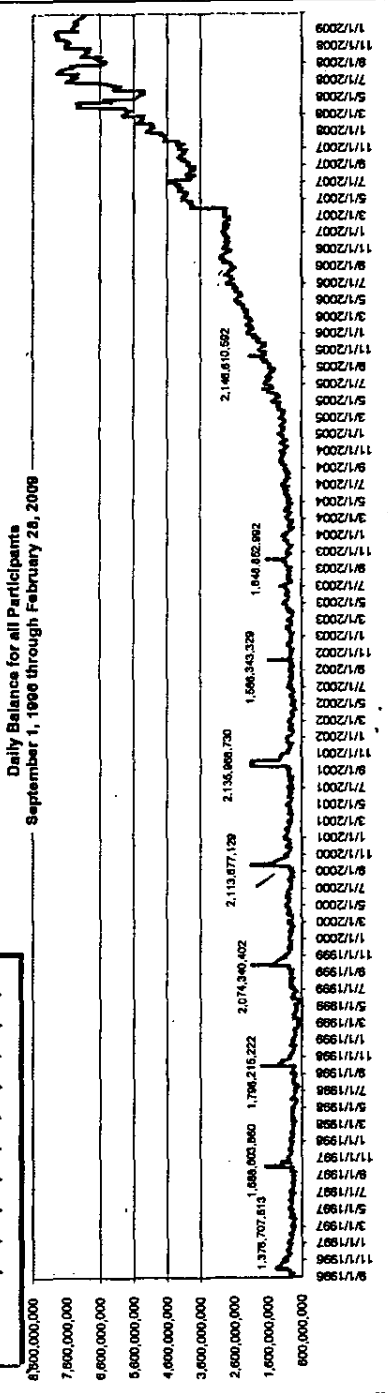
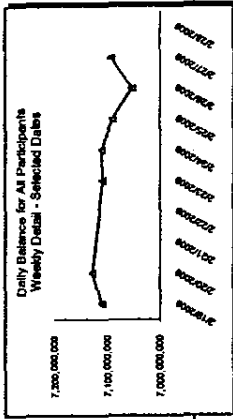
DB/dv

4/8/09

General Fund and Other Non-Segregated Investments (GeFONSI)

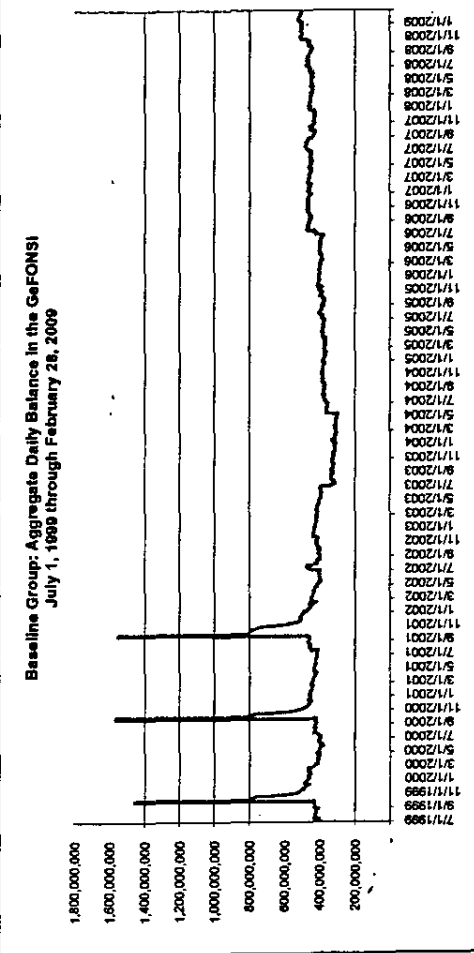
Historically, the operating General Fund has made up about 1/3 of the GeFONSI. Beginning 7/1/99, daily balances shown below include unallocated receipts, some of which may be transferred to non-GeFONSI participants. The daily unallocated balance generally averages about \$40 million and doubles at month end.

7/3/00: Transfers from CBR through GeFONSI not reflected below.
 7/28/02: PFD Corporation transferred \$807 million to the General Fund for the 2001 dividend. These funds along with \$49 million previously invested in the GeFONSI have been invested separately. These balances do not appear on GeFONSI charts.
 10/04: Electronic deposits of PFDs were not processed through the GeFONSI.



Baseline Group Information:
 The baseline group was created in February 1999 when Treasury considered the creation of a second GeFONSI. The baseline group is composed of participants (funds) which have demonstrated stable balances or predictable trends over time. The group, along with the General Fund, represents the core of the GeFONSI (based on daily balances). The baseline group contains the following participants (additional information is available from Treasury Division, Accounting Section):

- 21468 OHSR Substance Prevention*
- 21472 OHSR Response Account*
- 21477 Employee Assistance & Training
- 21478 Storage Tank Assistance
- 21498 Fisherman's Fund**
- 21497 Railroad Energy**
- 21503 Prevention Mitigation*
- 21504 Oil Restoration*
- 21511 Municipal CIP Matching Grants**
- 21512 Unincorporated CIP Matching Grants**
- 21518 Power Cost Equalization* (inactive 4/2005)
- 21520 Alaska Game Fund*
- 21530 AK Marine Highway**
- 21560 Agricultural Revolving Loan
- 21592 Commercial Fish Revolving Loan Fund
- 22078 Alaska Clean Water Fund*
- 22093 Power Project (inactive 4/2001)
- 22110 Highway Equipment Working Capital Fund - Operating
- 22115 Information Services
- 22180 Suspense and Deposits
- 22182 Public Advocacy Trust*
- 22170 Permanent Fund Dividend
- 22178 Alyeska Settlement**
- 22287 Student Loan Corp. - GF Appropriations*



* Indicates that the participant is credited with Investment Income.
 ** Indicates that the participant is credited with Investment Income only if appropriated by the State Legislature.

Treasury Division, Department of Revenue

SENATE FINANCE COMMITTEE REPORT

DATE: 3/25/09

FURTHER:

DATE TURNED
IN TO OFFICE: 4/16/09

Finance Committee considered CS FOR HOUSE BILL NO. 172(FIN)

HB 172 STATE INVESTMENT IN EDUCATION FUND

"An Act relating to an investment in the education loan fund; relating to authority for the commissioner of revenue to enter into a bond purchase agreement and letter of credit with the Alaska Student Loan Corporation; and providing for an effective date."

and recommends:

- be replaced with SCS or CS CSHB 172 (FIN)
- adopt previous SCS or CS _____
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input checked="" type="checkbox"/>	New Title w/ SCR # _____


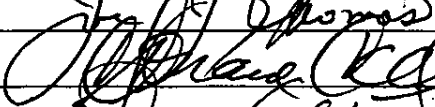
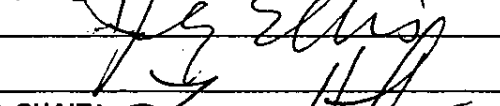



NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
EED	3/18		✓		3
REV	3/18		✓		4

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Huggins	<input checked="" type="checkbox"/>			
	Thomas	<input checked="" type="checkbox"/>			
	Orson			<input checked="" type="checkbox"/>	
	Ellis			<input checked="" type="checkbox"/>	
CO-CHAIR: 	Hoffman	<input checked="" type="checkbox"/>			
CO-CHAIR: 	Stearns	<input checked="" type="checkbox"/>			

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 4
Bill Version: CSHB172(FIN)
(H) Publish Date: 3/18/09

Identifier (file name): CSHB172(FIN)-DOR-TRE-3-18-09 Dept. Affected: Revenue
Title: State Investment in Education Fund RDU: Tax and Treasury
Sponsor: Governor Component: Treasury
Requester: House Finance Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	*	*	*	*	*	*	*

CAPITAL EXPENDITURES							
-----------------------------	--	--	--	--	--	--	--

CHANGE IN REVENUES ()							
-------------------------------	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	*	*	*	*	*	*	*

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This legislation allows, but does not require, the Commissioner of Revenue to invest state funds in the education loan fund, if the Commissioner determines that the Alaska Student Loan Corp cannot practically or economically borrow money through issuing private activity revenue bonds. This investment must be made consistent with the duties of a fiduciary and will earn a return to the state. The bill also allows, but does not require, the Commissioner to provide a bond repurchase agreement or letter of credit to the Alaska Student Loan Corp, and to require the ASLC to pay the costs associated with the repurchase agreement or letter of credit. The Department of Revenue does not expect to incur any non-reimbursed costs as a result of the passage of this bill. The fiscal note is indeterminate as costs will be dependent on the actual financing that occurs.

Prepared by: Jerry Bumett
Division: Treasury
Approved by: Ginger Blaisdell
Department of Revenue

Phone 465-3669
Date/Time 3/18/09 12:00 AM
Date 3/18/2009

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: CSHB 172(FIN)
 (H) Publish Date: 3/18/09

Identifier (file name): CSHB172(FIN)-EED-ACPE-03-18-09 Dept. Affected: Education
 Title An Act relating to an investment in the education loan fund, RDU ACPE
relating to authority for the commissioner of revenue to... Component Program Administration and
 Sponsor (H)Rules Operations
 Requester (H)Finance Component Number 2738

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual	****		****	****	****	****		0.0
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	****		****	****	****	****		0.0

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES ()								
-------------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
1106 P-Sec Receipts	****		****	****	****	****		0.0
Other Interagency Receipts								
TOTAL	****		****	****	****	****		0.0

Estimate of any current year (FY2009) cost: 130.0

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

This legislative proposal, which authorizes the Commissioner of Revenue to: 1) invest in Alaska education loans; and, 2) provide credit enhancement for the Alaska Student Loan Corporation (ASLC), is designed to be cost-neutral to the state. The appropriation above is ASLC receipts needed to cover costs incurred by the Department of Revenue for legal, rating agency, and consulting services necessary to implement the provisions of the bill. Authorization for this support through the Department of Revenue will result in a cost avoidance to the state General Fund because if ASLC, without the state assistance provided in the bill, is unable to issue bonds, state appropriations to fund the education loan programs could be required. Current year (2008-2009) loans were funded through internal liquidity. However, those funds will have substantially been exhausted with Spring 2009 disburse-

Prepared by: Diane Barrans, Executive Director
 Division: Alaska Commission on Postsecondary Education
 Approved by: Diane Barrans, Executive Director
Alaska Commission on Postsecondary Education

Phone 907-465-6740
 Date/Time 3/18/09 9:30 AM
 Date 3/18/2009

FISCAL NOTE #3

STATE OF ALASKA
2009 LEGISLATIVE SESSION

BILL NO. CSHB 172(FIN)

ANALYSIS CONTINUATION

ments. At this time, there is a need to postpone processing 2009-2010 loan applications until such time as funding has been secured. Currently, market-based issuance costs have reached prohibitive levels relative to the economics of ASLC programs. ASLC has been attempting to structure a deal to issue Variable Rate Demand Bonds (VRDB), for which a market still exists. Structurally, VRDBs are attractive to investors because they are credit enhanced through some form of external liquidity provider, thereby eliminating investor liquidity risk. VRDBs can be held in money market accounts due to the liquidity facility expanding the investor base for ASLC bonds. However, over the course of 2008 the cost of liquidity/credit enhancement increased dramatically as demand grew exponentially and supply declined at an alarming rate due to financial institution consolidations, ratings downgrades, and a general reluctance of the usual players to put further strain on their balance sheets. Liquidity costs have more than quadrupled and there is nothing currently occurring in the financial services arena to indicate this problem will improve any time soon to once again enable ASLC to finance its programs as it has successfully done over the preceding twenty years of operation.

The FY09 cost will require a supplemental amendment of \$60,000 to ACPE's Program Administration and Operations component (2738) using postsecondary receipts as the funding source (1106). The remaining FY09 cost of \$70,000 will be absorbed by the Department of Revenue's current appropriation of Alaska Postsecondary Education Commission Receipts (1106) which are projected to be available for that purpose.

*Adopted
9/16/09*

26-GH1211\N
Cook
4/15/09

SENATE CS FOR CS FOR HOUSE BILL NO. 172(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to an investment in the education loan fund; relating to authority for
2 the commissioner of revenue to enter into a bond purchase agreement and letter of
3 credit with the Alaska Student Loan Corporation; relating to a proposal for a program
4 under which the state repays loans to students for costs of postsecondary education; and
5 providing for an effective date."

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 * **Section 1.** AS 37.10.085(a) is amended to read:

8 (a) Except as provided in AS 14.40.458, [OR] (c) or (d) of this section, or
9 AS 37.10.089, neither the state nor a political subdivision of the state may

- 10 (1) make a subscription to the capital stock of a corporation;
- 11 (2) lend its credit for the use of a corporation; or
- 12 (3) borrow money for the use of a corporation.

13 * **Sec. 2.** AS 37.10 is amended by adding a new section to article 3 to read:

1 **Sec. 37.10.089. Loans to the education loan fund; bond purchase**
2 **agreements and letters of credit.** (a) If the education loan fund (AS 14.42.210) is
3 unable to fully finance loan demand in a fiscal year, the commissioner may invest in
4 the education loan fund for the purpose of financing education loans under
5 AS 14.43.161 - 14.43.175, 14.43.600 - 14.43.750, and AS 14.44.040. The
6 commissioner shall require the corporation to secure the investment of state money.

7 (b) The commissioner may make investments under (a) of this section only
8 when the commissioner determines that market conditions relating to tax-exempt
9 private activity revenue bonds make the issuance of the bonds by the corporation
10 impracticable or uneconomical for the purpose of financing education loans under
11 AS 14.43.161 - 14.43.175, 14.43.600 - 14.43.750, and AS 14.44.040.

12 (c) The corporation shall repay money invested under (a) of this section under
13 terms established by the commissioner and agreed to by the corporation. Except as
14 provided in this section, the terms must be consistent with the duties of a fiduciary set
15 out in AS 37.10.071(c).

16 (d) Notwithstanding any other provision of this section, the commissioner is
17 authorized to enter into an agreement with the corporation to provide a bond purchase
18 agreement and a letter of credit when market conditions relating to those credit
19 enhancement mechanisms are uneconomical. The commissioner may require the
20 corporation to pay the costs associated with providing credit enhancement and may
21 charge the corporation a fee for this service.

22 (e) The commissioner may charge the corporation interest on the investments
23 under (a) of this section. The rate of interest may not exceed the five-year average
24 return on the state's general fund.

25 (f) The commissioner may charge the corporation an annual fee for the
26 services provided under (d) of this section. The annual fee may not exceed 0.15
27 percent of the average principal outstanding and interest covered by the bond purchase
28 agreement and the letter of credit.

29 (g) If a draw on the bond purchase agreement and the letter of credit occurs
30 under this section, the commissioner may charge the corporation an additional annual
31 rate of interest not to exceed three percent on the bonds held under the bond purchase

1 agreement and letter of credit.

2 (h) The term of the investment under (a) of this section may not exceed four
3 years and the commitment under (d) of this section may not exceed four years from
4 the commencement of the initial investment, bond purchase agreement, and letter of
5 credit.

6 (i) The maximum amount of the investment under (a) of this section may not
7 exceed \$100,000,000. The maximum amount of the commitment under (d) of this
8 section may not exceed \$106,000,000.

9 (j) The commissioner may adopt regulations under AS 44.62 to implement
10 this section.

11 (k) In this section,

12 (1) "commissioner" means the commissioner of revenue;

13 (2) "corporation" means the Alaska Student Loan Corporation created
14 under AS 14.42.100.

15 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
16 read:

17 **PROPOSAL FOR REPAYMENT OF STUDENT LOANS.** The Alaska Student Loan
18 Corporation shall develop a proposal for a state program under which the state would repay
19 all or part of loans to students for costs of postsecondary education. The corporation shall
20 submit its proposal to the legislature on January 19, 2010.

21 * **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA

ALASKA STUDENT LOAN CORPORATION

4/1/09
SARAH PALIN, GOVERNOR

P. O. Box 110505
Juneau, Alaska 99811-0505
PHONE (907) 465-6740
465-3293

March 13, 2009

Sponsor Statement

HB 172 - An Act relating to an investment in the education loan fund; relating to authority for the commissioner of revenue to enter into a bond purchase agreement and letter of credit with the Alaska Student Loan Corporation; and providing for an effective date.

This legislation is necessary to avert a disruption in new education loan origination by the Alaska Student Loan Corporation (ASLC, or the Corporation) beginning in July 2009. The Corporation, since its establishment by the Legislature in 1987, has financed its education loan programs by issuing tax-exempt revenue bonds in the capital market. After 20 years of successful operation in this environment, catastrophic disruptions to the capital market resulted in ASLC being unable to issue bonds in 2008. Education loans continued to be available to Alaska students for the 2008-2009 academic year due to capacity within the Corporation to meet loan demand with available cash. However, after lending a projected \$95 million in new loans through June 2009, that capacity will be substantially exhausted. Until such time as sufficient funding is secured, loan application processing for the 2009-2010 academic year will remain suspended.

The modification of Alaska statutes set out in this legislation enables ASLC, in partnership with the Commissioner of Revenue, to meet the immediate need to accept and process loan applications for the upcoming school year, and, additionally, to create a bonding structure to re-access the capital markets in 2009.

The Corporation's largest education loan programs are AlaskAdvantage Stafford Loans (which carry a federal guarantee), and the AlaskAdvantage Supplemental Loans (state loans which carry no guarantee). This year, more than 8,100 Alaska students relied on one or both of these low-cost education loan programs to aid in financing their postsecondary education and training program. More than 60% of those students were attending schools in Alaska.

This bill enables the Commissioner of Revenue to: 1) provide a bridge loan and directly invest in the Corporation's education loans; and, 2) create a credit enhancement facility to assist ASLC in the issuance of bonds during the current economic crisis when, without this facility, it would be uneconomical to issue bonds.

The combination of these two authorities are projected to assist in meeting loan demand through 2010 without the need for a State appropriation, by which time ASLC expects capital markets will have normalized to the extent these State support mechanisms will no longer be required.

STATE OF ALASKA

ALASKA STUDENT LOAN CORPORATION

March 13, 2009

9/1/09
SARAH PALIN, GOVERNOR

P.O. BOX 110505
JUNEAU, ALASKA 99811-0505
VOICE (800) 441-2962
In Juneau (907) 465-6740
TDD (907) 465-3143
FAX (907) 465-3293

The Honorable Bill Stoltze
House of Representatives
Co-Chair
Finance Committee
State Capitol, Room 515
Juneau, Alaska 99801

Re: HB172 State Investment in Education Loan Fund

Dear Representative Stoltze:

On behalf of the Alaska Student Loan Corporation (ASLC) I respectfully request a hearing in the House Finance Committee of legislation entitled "An Act relating to an investment in the education loan fund; relating to authority for the commissioner of revenue to enter into a bond purchase agreement and letter of credit with the Alaska Student Loan Corporation; and providing for an effective date."

The bill will authorize the Commissioner of Revenue to 1) provide a bridge loan to ASLC to finance its education loans when market conditions relating to tax-exempt bonds make them uneconomical; and, 2) create a credit enhancement facility to prevent a disruption of lending activities by ASLC during the current economic crisis that has limited its ability to successfully issue bonds and has caused the market-based financing of student loans to be uneconomical.

A copy of Governor Palin's transmittal letter and the associated fiscal note will be referred to the committee. Enclosed is a sponsor's statement, sectional analysis, background information, letters of support, and relevant news articles.

Your favorable consideration of this request will be appreciated.

Sincerely,



Diane Barrans
Executive Officer

DB/dv

Enclosures

cc: Gerald Gallagher, Legislative Director
Office of the Governor

STATE OF ALASKA

ALASKA STUDENT LOAN CORPORATION

4/1/09
SARAH PALIN, GOVERNOR

P. O. Box 110505
Juneau, Alaska 99811-0505
PHONE (907) 465-6740
FAX (907) 465-3293

March 13, 2009

Sectional Analysis

HB172 – An Act relating to an investment in the education loan fund; relating to authority for the commissioner of revenue to enter into a bond purchase agreement and letter of credit with the Alaska Student Loan Corporation; and providing for an effective date.

Section 1 Provides authority to the state to loan funds and provide a letter of credit to the Alaska Student Loan Corporation under certain conditions for certain purposes.

Section 2 Authorizes the Commissioner of Revenue to enter into an agreement, not to exceed a five-year term, to provide a secured investment in the Alaska Student Loan Corporation's education loan fund, not to exceed \$100 million, to finance certain education loans when the Corporation is unable to finance loan demand due to market conditions that would result in uneconomical issuance of tax-exempt bonds. Interest paid to the state on the investment may not exceed the five-year average return on the state's general fund. The Commissioner is also authorized to enter into an agreement, not to exceed a five-year term, to provide credit enhancement to the Corporation, not to exceed \$106 million, when it would otherwise be uneconomical for the Corporation to issue bonds, absent such an agreement, due to market conditions. The Corporation is responsible for associated costs and an annual fee, not to exceed 15 basis points. In the event of a draw on the credit facility, the state may be paid interest by the Corporation not to exceed 3%. The Commissioner is authorized to adopt regulations to implement the bill.

Section 3 provides the Act takes place the day after the Governor's signature or the day after permitted to become law without her signature.

STATE OF ALASKA

ALASKA STUDENT LOAN CORPORATION

4/1/09
SARAH PALIN, GOVERNOR

P. O. Box 110505
Juneau, Alaska 99811-0505
PHONE (907) 465-6740
FAX (907) 465-3293

March 13, 2009

HB172 – An Act relating to an investment in the education loan fund; relating to authority for the commissioner of revenue to enter into a bond purchase agreement and letter of credit with the Alaska Student Loan Corporation; and providing for an effective date.

Background on ASLC Liquidity Issues and Proposed Plan of Action

Precipitating Events/Conditions

In 2007, the market for Auction Rate Securities (ARS), which ASLC has successfully used to finance its variable rate education loans since 2002, collapsed in the wake of the subprime mortgage loan debacle. As a result, ARS are no longer a viable bond mode to finance new loan originations. As an alternative, ASLC intends to issue Variable Rate Demand Bonds (VRDB) or Obligations, for which there is still a market. Structurally, VRDBs attract investors because they are credit enhanced through an external liquidity provider, thereby eliminating investor liquidity risk. Due to the liquidity facility, VDRBs can be held by money market funds as investments.

The ARS market collapse impacted issuers nationwide. Over the course of 2008 the cost of liquidity and/or credit enhancement increased dramatically as demand grew exponentially, and supply declined at an alarming rate due to financial institution consolidations, ratings downgrades, and a general reluctance of the usual players to put further strain on their balance sheets. Liquidity costs, prior to the ARS market meltdown, ranged between 15 and 40 basis points per annum. Currently, those costs start at over 100 bases point, and rise from there. There is nothing occurring in the financial services arena to indicate this problem will improve any time soon. None of the recent federal initiatives to address the nation's economic ailments include a mechanism by which ASLC could acquire the needed liquidity support to issue VRDBs.

ASLC Capacity to Meet New Loan Demand—ASLC was last able to bond in June 2007. 2008-2009 academic year loans were funded through internal liquidity. Annual loan volume is projected to be approximately \$95 million. Although confident about its ability to fully fund loans for the year ending June 2009, Corporation projections verify the need to delay processing 2009-2010 loan applications until such time as sufficient external funding is secured. As described above, market-based issuance costs have reached prohibitive levels relative to the economics of the ASLC programs.

ASLC Proposal for Alternative Financing Strategies—A two-pronged approach is recommended:

1—authorize the Department of Revenue to meet the Corporation's immediate need for funding for its Alternative and Federal loan programs using a loan structure. No appropriation of state general funds is required because use of the funds constitutes an investment, not an expenditure. ASLC will cover all related costs, and provide a return on the investment similar to the return the funds would have derived if left in the general fund (with a stipulated not to exceed rate). The loan is governed by a trust agreement between ASLC and Revenue that sets out all related terms. The loan period may not exceed five years.

2—authorize the Department of Revenue to provide ASLC with the liquidity and/or credit support necessary to issue VRDBs. The credit enhancement program would allow ASLC to access the capital markets by attracting institutional purchasers (primarily money market funds), while also keeping bond issue costs low enough that ASLC can continue to offer low-cost education loans to Alaska students. As with the bridge loan, the facility fee will provide revenue to the State. The term length of the facility may not exceed five years and the amount issued with support from the facility may not exceed \$106 million.

In combination, these strategies are expected to cover loan demand through 2010, by which time market conditions should have normalized sufficient to dispense with this state support.

Provided on the following page are descriptions of efforts made in support of other state agency or nonprofit education lenders similarly impacted by the credit market collapse.

Other States' Initiatives to Assist State Agency of Nonprofit Education Loan Lenders

Several states have made liquidity and/or credit enhancement available to issuers.

California's approach has been very commercial in that the state's SBPA/LOC facility is available to any issuer inside or outside the state, and the primary goal has been to generate fee income for the funding source (CALPERS).

The State of Arkansas, acting through the State Board of Finance, entered into an \$80 million loan agreement with the Arkansas Student Loan Authority (ASLA). The interest rate is a variable rate reset semiannually by the State Bank Commissioner and approved by the State Board of Finance. The loan has a term of 18 months but can be extended. ASLA paid the State's out-of-pocket expenses and legal fees related to the issuance of the Note. A trust was developed to hold education loans made with loan proceeds and payments made on those education loans until the loan to the State is paid in full. The trust also holds state loan proceeds until the education loan is disbursed in the form of qualifying investment vehicles.

The New Mexico State Treasurer's Office purchased a \$50 million private placement bond from New Mexico Student Loans (NMSL). The bond is a short-term investment for the State of New Mexico at a competitive rate. A second deal was struck by which their State Treasurer's Office will purchase a bond from NMSL totaling \$95.1 million.

The State of Kentucky bought a \$50 million bond from the Kentucky Higher Education Student Loan Corp. The bond has a term of 445 days and carries a variable interest rate (originally set at 3.2%).

The South Carolina Student Loan Corporation issued \$600 million in student loan backed notes. The notes are variable rate notes rated AAA. A significant portion of the notes have been purchased by the State of South Carolina.

In Colorado, CollegeInvest, a division of the Colorado Department of Higher Education, originates loans to college and graduate students. The State loaned CollegeInvest \$30 million to prevent a Spring 2009 interruption in their lending program.



505 West 5th Street, Suite 280
P. O. Box 508
Clifton, TX 76634

(254) 675-3552 Direct
(254) 675-8455 Fax

7/1/09

Memorandum

Lee Donner
Managing Director

ldonner@firstsw.com

Date: March 10, 2009

To: Diane Barrans, Executive Officer, Alaska Student Loan Corporation

Cc: Charlene Morrison, CFO, Alaska Student Loan Corporation

Subject: Ensuring Access to Student Loans in Alaska

At your request, following is First Southwest Company's summary of events and circumstances which have culminated in the Alaska Student Loan Corporation's (ASLC) need for mid-term financing support from the State of Alaska.

Across the approximately thirteen months since the downgrade of the mono-line bond insurers and the collapse of the Auction Rate Securities (ARS) market, a number of additional developments have contributed to the emergence of serious ongoing challenges to the ability of entities like ASLC to fulfill their mission to ensure the uninterrupted availability of low cost loans (including both the Federal Family Education Loan Program (FFELP) and non-guaranteed alternative loans) for students who depend upon such loan products to finance the cost of their post-secondary educational goals.

One of those developments has been the large scale departure of investors from the entire asset-backed finance arena in what is often described as a "flight to quality." Another negative development has been the top to bottom re-examination of cash flow modeling and other credit rating analysis criteria by all three of the nationally recognized securities rating organizations, which development has only served to reinforce the perception on the part of reluctant investors that asset-backed securities are fraught with a higher level of risk than they had been previously led to believe. These two phenomena have reinforced each other to produce an escalating demand for higher interest rates and declining investor base for asset-backed securities in virtually every asset class.

Issuers like ASLC have responded to these negative developments by seeking liquidity and/or credit support from highly rated financial institutions in the form of a Standby Bond Purchase Agreements (SBPA) or Letters of Credit (LOC). At the same time that demand for SBPA or LOC support from national and international financial institutions has exploded in response to the conditions described above, most, if not all, of those financial institutions have been hit with threatened or actual downgrades of both their long term and short term credit ratings. All of this has combined to create a situation where the demand and cost for bank credit/liquidity support is increasing at the very same time that the availability of and investor confidence in the

This communication is for information only, not an offer, solicitation or recommendation, nor an official confirmation of any financial transaction. It is not to be considered research. The information is considered to be reliable, but First Southwest Company does not warrant its completeness or accuracy, prices and availability are subject to change without notice. We may trade, have long or short positions, or act as a market maker in any financial instrument discussed herein. Clients should consult their own advisors regarding any accounting, legal or tax aspects. Investors are instructed to read the entire Official Statement to obtain information essential to the making of an informed investment decision.



reliability of such bank credit/liquidity support has sharply declined. Directly related to all of this is the dramatically increased demand, from investors in the tax-exempt arena, for debt securities issued by, **or credit/liquidity supported by**, highly rated state and local governmental issuers.

The combination of conditions described above has resulted in a number of state governments looking for ways to assist the state agency or not-for-profit student loan providers (both FFELP and alternative) in their state to continue to be able to fulfill their mission of ensuring educational access through low cost college loans. In Arkansas, this cooperation between the State and the student loan agency they created many years ago resulted in a low cost variable rate bridge loan from the State to the loan agency. In South Carolina, the State purchased a significant portion of the state created student loan agency's last bond issue. Both of these cooperative efforts represent viable short-term solutions to a problem that is showing signs of becoming protracted. In other states, similar initiatives are being analyzed or are in various stages of actual development or implementation. The sole example from 2008 where the student loan provider had no market access problems is the Texas Higher Education Coordinating Board, where the State's support for THECB's student loan program includes a State of Texas General Obligation pledge for THECB's debt obligations.

Against the background of the liquidity, credit and market conditions discussed herein, it is becoming quickly apparent that the major Federal initiatives such as TARP and TALF are of very limited, if any, utility to state agency and not-for-profit loan providers in continuing to finance their low cost loan programs without disruption and resultant serious consequences for the students and parents who depend on them.

First Southwest Company serves as financial advisor to a number of such student loan providers in various parts of the country. Based on our knowledge of what is happening in the student loan finance arena on a national basis and our experience with those limited number of student loan providers who have been able to successfully access the capital markets over the past year, it is our very firm belief that the best hope for entities like ASLC to continue their mission without interruption will be a cooperative effort between such entities and their sponsoring state governments to create temporary financing vehicles, and more importantly, credit and/or liquidity facilities that meet investors' demand for the elimination of credit/liquidity risk, but at a level of cost that is sustainable within the economic limitations of the loan programs being offered to students and their parents.

This communication is for information only, not an offer, solicitation or recommendation, nor an official confirmation of any financial transaction. It is not to be considered research. The information is considered to be reliable, but First Southwest Company does not warrant its completeness or accuracy, prices and availability are subject to change without notice. We may trade, have long or short positions, or act as a market maker in any financial instrument discussed herein. Clients should consult their own advisors regarding any accounting, legal or tax aspects. Investors are instructed to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

4/1/09



UNIVERSITY
of ALASKA
Many Traditions One Alaska

March 05, 2009

Dear Alaskan Legislator:

The educational loans provided by the Alaska Student Loan Corporation are crucial to the success of thousands of University of Alaska students. The funding from loans allows these students to continue and complete their educational goals in Alaska. Only the federal government provides more financial assistance to UA students.

The University of Alaska supports efforts that help the Alaska Student Loan Corporation secure the necessary funding to prevent a disruption of lending activities to Alaskan's seeking a post-secondary education in general and students at the University of Alaska in particular.

The Alaska Student Loan Corporation annually helps over 4700 students at the University of Alaska – at both the urban and rural campuses. Loans totaling over \$40 million dollars help students fulfill their educational goals in the state - leading to a more prepared and qualified Alaskan workforce.

Thank you,

A handwritten signature in black ink, appearing to read "Saichi T Oba".

Saichi T Oba
Associate Vice President
Office of Student & Enrollment Services
University of Alaska

Office of Student and Enrollment Services
910 Yukon Drive ~ Fairbanks, Alaska 99775-5020

www.alaska.edu/student-services

4/11/09

Received from the Chair of Student Senate, Associated Students of the University of Alaska Fairbanks, on 3/12/09.

To Whom It May Concern:

Please accept this letter of full support for legislation and related initiatives to provide interim funding to the Alaska Student Loan Corporation (ASLC), until such time as the markets recover sufficiently for ASLC to complete bonding.

The alternative financing proposed in the Governor's bill and endorsed by the Alaska Student Loan Corporation (ASLC) and the Alaska Department of Revenue is a win/win solution that meets an urgent statewide need to assist students in financing their education programs with no cost to the state's General Fund.

We understand that unless this alternative is approved quickly, Alaska will not be able to provide low-cost financial aid to our students. Without ASLC's loans, we expect that many of Alaska's college and vocational students may not be able to continue in or start school this year. We also understand that nationwide, education loans are becoming much harder to come by. In fact, 177 lenders to date have suspended their education loan programs. Specific to Alaska, several large banks indicate they will no longer be making loans in Alaska. The same economy that caused the market collapse has also resulted in increases in unemployment, resulting in many students staying in school longer, and many adults returning to school for re-training to get better jobs. The bottom line is that these factors result in fewer options for financial aid at the same time as the demand for financial aid is increasing. While there are increased grant provisions included in the American Recovery and Reinvestment Act, those funds are targeted only to the very neediest students.

Your full and prompt support of legislation to provide interim financing to fund AlaskAdvantage loans is urgently needed, and will result in no cost to the state. Without your support, Alaska's students will suffer.

Thank you for your consideration.

Respectfully,

Jennifer S Chambers
ASUAF Senate Chair

4/1/09



Career Academy

Career Education for a Global Workforce

1415 E. Tudor Road
Anchorage, Alaska 99507-1033
(907) 563-7575 • 1-800-770-7575
Fax (907) 563-8330
career@careeracademy.edu

March 5, 2009

To Whom It May Concern:

Career Academy is Alaska's largest Alaskan owned accredited private career college serving over 600 students annually. Career Academy fully supports legislation and related initiatives to provide interim funding to the Alaska Student Loan Corporation (ASLC), until such time as the markets recover sufficiently for ASLC to complete bonding.

The alternative financing proposed in the Governor's bill and endorsed by the Alaska Student Loan Corporation (ASLC) and the Alaska Department of Revenue is a win/win solution that meets an urgent statewide need to assist our students in financing their education programs with no cost to the state's General Fund.

We understand that unless this alternative is approved quickly, Alaska will not be able to provide low-cost financial aid to our students. Without ASLC's loans, we expect that many of Alaska's college and vocational students may not be able to continue in or start school this year. We also understand that nationwide, education loans are becoming much harder to come by. In fact, 177 lenders to date have suspended their education loan programs. Specific to Alaska, several large banks indicate they will no longer be making loans in Alaska. The same economy that caused the market collapse has also resulted in increases in unemployment, resulting in many students staying in school longer, and many adults returning to school for re-training to get better jobs. The bottom line is that these factors result in fewer options for financial aid at the same time as the demand for financial aid is increasing. While there are increased grant provisions included in the American Recovery and Reinvestment Act, those funds are targeted only to the very neediest students. In addition many many Alaskan students are not eligible to receive these grants due to the increased wage scale in Alaska. These same grant programs do not take into consideration the increased cost of living in Alaska.

Your full and prompt support of legislation to provide interim financing to fund AlaskAdvantage loans is urgently needed, and will result in no cost to the state. Without your support, Alaska's students will suffer. Last year approximately 125 students enrolled at Career Academy used over \$692,000 in ASLC funds to at least in part fund their educational programs. Without these loan funds being available they would not have been able to attend college, receive their education, and become valuable trained professional in Alaska's workforce

Thank you for your consideration.

Respectfully,

Jennifer A. Deitz
President & Founder



Great careers for Alaska's future

March 5, 2009

4/1/09

To Whom It May Concern:

Please accept this letter of Alaska Vocational Technical Center's (AVTEC) full support for legislation and related initiatives to provide interim funding to the Alaska Student Loan Corporation (ASLC), until such time as the markets recover sufficiently for ASLC to complete bonding.

The alternative financing proposed in the Governor's bill and endorsed by the Alaska Student Loan Corporation (ASLC) and the Alaska Department of Revenue is a win/win solution that meets an urgent statewide need to assist our students in financing their education programs with no cost to the state's General Fund.

We understand that unless this alternative is approved quickly, Alaska will not be able to provide low-cost financial aid to our students. Without ASLC's loans, we expect that many of Alaska's college and vocational students may not be able to continue in or start school this year. AVTEC provides many training programs and opportunities for Alaskans that are needed for employment in good paying high skilled jobs. These programs are more important now than ever before, as Alaskans face tighter economic conditions.

I urge your full and prompt support of legislation to provide interim financing to fund AlaskAdvantage loans is urgently needed, and will result in no cost to the state. Without your support, Alaska's students will suffer. Last year 79 of the 364 students enrolled at our institution used ASLC educations to fund, at least in part, their educational programs.

Thank you for your consideration.

Respectfully,

Fred W. Esposito
AVTEC Director

Alaska Vocational Technical Center • PO BOX 889 • 2nd Avenue • Seward, Alaska 99664-0889
Admissions Office (907) 224-3322 • 1-800-478-5389 • FAX (907) 224-4400 • www.avtec.edu
Alaska Vocational Technical Center does not discrim'nate due to race, color,
National origin, age, sex, political affiliation, religious beliefs, or disability.
AVTEC is a component of the Alaska Department of Labor and Workforce Development.

4/11/09



March 3, 2009

To Whom It May Concern:

Please accept this letter of the Alaska Technical Center's full support for legislation and related initiatives to provide interim funding to the Alaska Student Loan Corporation (ASLC), until such time as the markets recover sufficiently for ASLC to complete bonding.

The alternative financing proposed in the Governor's bill and endorsed by the Alaska Student Loan Corporation (ASLC) and the Alaska Department of Revenue is a win/win solution that meets an urgent statewide need to assist our students in financing their education programs with no cost to the state's General Fund.

We understand that unless this alternative is approved quickly, Alaska will not be able to provide low-cost financial aid to our students. Without ASLC's loans, we expect that many of Alaska's college and vocational students may not be able to continue in or start school this year. We also understand that nationwide, education loans are becoming much harder to come by. In fact, 177 lenders to date have suspended their education loan programs. Specific to Alaska, several large banks indicate they will no longer be making loans in Alaska. The same economy that caused the market collapse has also resulted in increases in unemployment, resulting in many students staying in school longer, and many adults returning to school for re-training to get better jobs. The bottom line is that these factors result in fewer options for financial aid at the same time as the demand for financial aid is increasing. While there are increased grant provisions included in the American Recovery and Reinvestment Act, those funds are targeted only to the very neediest students.

Your full and prompt support of legislation to provide interim financing to fund AlaskAdvantage loans is urgently needed, and will result in no cost to the state. Without your support, Alaska's students will suffer. Over the years, we have had many students enrolled at our institution who used ASLC educations to fund, at least in part, their educational programs.

Thank you for your consideration.

Respectfully,

Cheryl Edenshaw, Director
Alaska Technical Center

4/11/09



To Whom It May Concern:

Please accept this letter of Charter College's full support for legislation and related initiatives to provide interim funding to the Alaska Student Loan Corporation (ASLC), until such time as the markets recover sufficiently for ASLC to complete bonding.

The alternative financing proposed in the Governor's bill and endorsed by the Alaska Student Loan Corporation (ASLC) and the Alaska Department of Revenue is a win/win solution that meets an urgent statewide need to assist our students in financing their education programs with no cost to the state's General Fund.

We understand that unless this alternative is approved quickly, Alaska will not be able to provide low-cost financial aid to our students. Without ASLC's loans, we expect that many of Alaska's college and vocational students may not be able to continue in or start school this year. We also understand that nationwide, education loans are becoming much harder to come by. In fact, 177 lenders to date have suspended their education loan programs. Specific to Alaska, several large banks indicate they will no longer be making loans in Alaska. The same economy that caused the market collapse has also resulted in increases in unemployment, resulting in many students staying in school longer, and many adults returning to school for re-training to get better jobs. The bottom line is that these factors result in fewer options for financial aid at the same time as the demand for financial aid is increasing. While there are increased grant provisions included in the American Recovery and Reinvestment Act, those funds are targeted only to the very neediest students.

Your full and prompt support of legislation to provide interim financing to fund AlaskAdvantage loans is urgently needed, and will result in no cost to the state. Without your support, Alaska's students will suffer. Last year 470 of students enrolled at our institution used ASLC educations to fund, at least in part, their educational programs.

Thank you for your consideration.

Respectfully,

Terrance Harris
Campus President

Anchorage Campus
2221 E. Northern Lights Boulevard
Suite 120
Anchorage, AK 99508
Main 907.277.1000
Fax 907.274.3342

Mat-Su Campus
1451 E. Parks Highway
Suite B
Wasilla, AK 99654
Main 907.352.1000
Fax 907.352.1001

CharterCollege.edu

4/1/09

Advertisement



Sept. 5

State Agencies Get Creative on Student Loans

As various lenders and some of its peers in other states announced in recent months that they would stop making federal or private loans because of disruptions in the capital markets, the Illinois Student Assistance Commission steadfastly held firm. "We saw it as a must do, and had said we'd be there no matter what," said Andrew Davis, the commission's executive director.

The only problem, Davis acknowledges, is that officials at the agency — which guarantees student loans and oversees most student aid programs in Illinois — "weren't quite sure how we would fund" the operations behind that promise. Like many nonprofit lenders, particularly, Illinois had seen its primary source of financial backing for its loans dry up, because of the collapse of the auction-rate securities market.

Fortunately for the agency and the 20,000-plus students whose federal loans it will finance this academic year, the Illinois commission became one of several state loan providers that have found alternative ways of funding their loans in the current economic climate. Last month, days after the Massachusetts loan agency announced that it would not make federal loans this academic year, the state of Kentucky said that it was issuing a \$50 million bond to ensure that the Kentucky Higher Education Student Loan Corp. could continue to issue federal student loans. (Massachusetts officials had considered but then backed away from a similar plan.)

The Illinois agency contemplated several options for finding the money to finance its 2008-9 loans, including bank financing and the federal government's newly designed process for bolstering lenders to ensure that students continue to have access to federal loans. Davis was most intrigued, though, by an idea he liberally borrowed from North Carolina.

There, last spring, officials at the State Employees' Credit Union had approached Steve Brooks, executive director of the North Carolina State Education Assistance Authority, after learning about the turmoil shaking the student loan industry. "It's a very civic-minded group, and they wanted to make sure North Carolina students were protected," said Brooks. The credit union agreed to back a \$1.1 billion student loan bond to refinance some of the authority's auction-rate securities (for private and federal loans) and to finance some new loans in the new academic year.

While the credit union's investment will not finance all of the state agency's loans for the year or refinance all of its outstanding debt, the vote of confidence should make it easier, Brooks said, for the

state loan authority to refinance another \$1.3 billion through variable rate bonds in the coming months.

“This represented a great breakthrough for us,” he said.

North Carolina’s arrangement inspired Davis in Illinois. He approached the Illinois Credit Union League to see if its member credit unions might be interested in backing the student loan agency, given the organizations’ tradition of making “mission-based loans,” Davis said.

The result: a pending agreement for eight credit unions to provide about \$100 million, in three tranches timed to the annual financial aid cycle, through the course of the 2008-9 academic year.

“This will more than meet our anticipated need, but if we find there is more need” — more students than usual have been applying for loans through the agency’s Web site, Davis said — “we may be able to go back for more.” The agency provides loans to most students at about a half dozen colleges in the state, including Western Illinois University, Southern Illinois University at Edwardsville, and the University of Illinois at Springfield, Davis said; many colleges in Illinois participate in the federal government’s competing direct loan program.

— Doug Lederman

*The original story and user comments can be viewed online at
<http://insidehighered.com/news/2008/09/05/loans>.*

© Copyright 2008 *Inside Higher Ed*