

**ALASKA LEGISLATURE**

**HOUSE and SENATE FINANCE COMMITTEE FILES,**

**1993-1994**

**1128**

202

## OUT-YEAR COSTS

## Personnel Services

	FY 96	FY 97	FY 98	FY 99
Land Manager	62.3	66.1	70.1	74.3
Cadastral Survey	<u>123.8</u>	<u>131.2</u>	<u>139.1</u>	<u>147.5</u>
Subtotal	186.1	197.3	209.2	221.8
Contractural Survey	2,000.0	2,000.0	2,000.0	2,000.0
TOTAL	2,186.1	2,197.3	2,209.2	2,221.8

FISCAL NOTE

WORK DRAFT

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

BILL NO. CSSB 67 ( )  
5/05/93

Revision Date: December 14, 1993  
Title: "...amending...Ch. 66, SLA 1991, that relate to the mental health trust..."  
Sponsor: Senate Resources Committee  
Requestor: Governor's Office

Department Affected: Department of Law  
BRU: Legal Services  
Component: Mental Health Lands  
COMPONENT SERIAL NO. 1421

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND &						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING:

1002 Federal						
1003 GF Match						
1004 GF						
1005 GF/Program						
1006 GF/MHTIA	-0-	-0-	-0-	-0-	-0-	-0-
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)  
Please see the attached analysis.

Prepared by: Richard I. Pegues, Director

Division: Administrative Services Division

Phone: 465-3672

Date: December 14, 1993

Approved by Commissioner: Charles E. Cole, Attorney General

Agency: Department of Law

Date: December 14, 1993

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ANALYSIS CONTINUATION:

Enactment of the proposed amendments contained in the May 5, 1993 work draft CS for Senate Bill No. 67 would substantially advance resolution of the mental health trust litigation as it would cure the two infirmities in Ch. 66, SLA 1991, found by Judge Greene in her order dated April 26, 1993, and would eliminate the possible need for anyone to appeal those portions of the order. Significantly, the trial court's April 26 order upheld most of Ch. 66 from the numerous challenges raised by the Alaska Center for the Environment, et. al., indicating that the Ch. 66 settlement can resolve the divisive, decade old, mental health trust litigation. Enactment of the proposed amendments will reduce the litigation effort necessary to obtain approval of the settlement at both the trial and appellate court levels, and will enable the Department of Law to direct more of its efforts toward reconstituting the trust rather than to litigating over challenges to Ch. 66.

The first infirmity found by Judge Greene is that the hypothecation of land as security for the reconstitution of the trust is invalid because Ch. 66 lacked adequate standards to guide the commissioner of natural resources in creating the hypothecated lands list. Judge Greene, however, went out of her way to give instruction as to how to cure this defect.

Obviously, it would be very easy for the legislature to remedy this problem. If the legislature amended section 56(a) to adopt a specific, known list or delegated the task of preparing a new list with adequate standards, the difficulty would be eliminated. (Emphasis added).

Section 5 of the May 5, 1993 work draft CS for Senate Bill No. 67 would "eliminate" the "difficulty" related to hypothecation by establishing adequate standards to guide the commissioner of natural resources in creating the hypothecated lands list. First, original trust lands to be returned to trust status under section 54(1)-(6) of Ch. 66 would be hypothecated. Second, up to 1.5 million acres of additional acres of land that meet the criteria in section 55(d) and (e) -- (in general, land with comparable character to original trust land for which exchanges are necessary, with consideration given to the public interests related to possible transfer to trust status).

The second "infirmity" found by Judge Greene with Ch. 66 is that the planning and classification provisions in AS 38.04 and AS 38.05 apply to the transfers of land to the trust authority. The application of AS 38.04 and AS 38.05 is an "infirmity" only because those statutes may make the reconstitution of the trust more time consuming and costly to complete if DNR were required to classify or reclassify lands before reconstituting those lands into the trust.

Judge Greene found that AS 38.04 and AS 38.05 apply to the reconstitution because Ch. 66 does not explicitly exempt those provisions, and the legislative history did not clearly evince the legislature's intent to exempt such application. Significantly, Judge Greene also found that the Alaska Constitution does not require that AS 38.04 and AS 38.05 apply to the reconstitution, therefore, a statutory exemption as contained in the proposed amendment would be valid.

Sections 1 - 3 would exempt the reconstitution process from AS 38.04 and AS 38.05, and would replace a process by which the public may participate in the reconstitution of the trust.

**CONSEQUENCES FROM TAKING NO ACTION**

The possible consequences if the legislature takes no action to cure the infirmities in Ch. 66 found by Judge Greene include:

1. Plaintiffs may terminate the settlement and return the parties to litigating a strict reconstitution of the trust under the mandate of the Alaska Supreme Court. The validity of the hypothecation of lands and the exemption of AS 38.04 and AS 38.05 from the reconstitution were important elements of the settlement from the plaintiffs' standpoint. If either issue is not resolved to settling plaintiffs' satisfaction, settling plaintiffs have the right to terminate the settlement agreement. If they terminate the settlement, the State has no alternative other than to begin implementing the Alaska Supreme Court's mandate to reconstitute the trust. Implementing that mandate would undoubtedly require land title litigation involving thousands of individual parcels, and would likely ensnarl lands in litigation for years, including lands: (1) conveyed by the State to individual purchasers ("moms and pops"); (2) conveyed to Alaska Native corporations in

ANALYSIS CONTINUATION:

litigation settlements and exchanges; (3) conveyed to municipalities; (4) conveyed to the University of Alaska; and (5) placed in legislatively designated areas.

2. The so called "land freeze" as to 6.7 million acres of hypothecated lands could continue. The trial court's invalidation of the hypothecated lands under Ch. 66 does not free those parcels from the land management limitations applicable to hypothecated lands, which limitations critics of Ch. 66 have characterized as creating a "land freeze." If Judge Greene's decision on hypothecation is appealed (almost certainly to come from settling plaintiffs), the full 6.7 million acres of hypothecated lands would remain embroiled in the litigation. Either Judge Greene or the Alaska Supreme Court could stay effect of the invalidation pending appeal. Even if no stay were entered, however, a reversal of the invalidation would return the 6.7 million acres to hypothecated status. The only way to reduce the amount of land subject to hypothecation and eliminate what critics of Ch. 66 call a "land freeze" is to enact the recommended amendments.

3. Resolution of the divisive mental health trust litigation will be delayed. Judge Greene has upheld most provisions of the Ch. 66 settlement from the numerous challenges raised by the environmental intervenors, and has provided guidance as to how to cure the two infirmities to Ch. 66 that the court found. Curing those two infirmities by enactment of the proposed amendment will expedite the process by which the trial court will approve the settlement, and will expedite possible appeals by eliminating appeals related to these two infirmities.

**CONCLUSION**

Enactment of the amendments to Ch. 66, contained in this bill, will permit implementation of the Ch. 66 settlement to proceed with a minimum of legal challenges and without the associated costs and interruptions caused by such challenges. The current annual amount budgeted for implementation, \$589,500 in general funds and \$1,500,000 in mental health lands trust funds, will be sufficient to carry out the implementation tasks without increasing these costs. Conversely, if the settlement is terminated failing enactment of the bill, the cost for the department could be very high. It is probable that we would become embroiled in land title litigation involving thousands of parcels. The cost would be substantially greater than the cost of the Ch. 66 settlement, and it would continue for many years.

12-21-93 = (413)

FISCAL NOTE

WORK DRAFT

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

BILL NO. CSSB 67 ( )

5/05/93

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CAPITAL						
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REVENUE						
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1002 Federal						
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PART-TIME						
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ANALYSIS: (Attach a separate page if necessary.)  
Please see the attached analysis.

Prepared by: Richard I. Pegues, Director  
Division: Administrative Services Division  
Approved by Commissioner: Charles E. Cole, Attorney General  
Agency: Department of Law

Phone: 465-3672  
Date: December 14, 1993  
Date: December 14, 1993

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STATE OF ALASKA  
1994 LEGISLATIVE SESSION

BILL NO. CSSB 67 ( )  
5/05/93

### ANALYSIS CONTINUATION:

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SENATE COMMITTEE REPORT

DATE: 2/8/93

FURTHER: FINANCE

DATE TURNED INTO OFFICE: 4/2/93

JUDICIARY Committee considered SENATE BILL NO. 67

*Mental Health Trust amendments*

"An Act amending provisions of ch. 66, SLA 1991, that relate to reconstitution of the corpus of the mental health trust, the management of trust assets, and to the manner of enforcement of the obligation to compensate the trust; and providing for an effective date."

and recommends it be replaced with

and recommends:

8-LS0409/K

replace with CS SB67 (JUD)

or  adopt previous CS

attaches amendment(s) *and a maj rpts it but w/no rec*

- same title
- new title
- technical title change (HB only)

adopts Letter of Intent

further referral to the

do pass

do not pass

no recommendation

individual recommendations

*FOR  
x p FOR*

NEW FISCAL NOTES

Department	Date	Zero	Fiscal
LAW	4-1-93	✓	
DNR	03-31-93		1024.4

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS:

*Suzanne R. Little*

OTHER RECOMMENDATIONS:

*Bob*

① *James Taylor* no rec

② *Kirk Halford* no rec

① *Robin L. Taylor* no Rec

**SENATE COMMITTEE REPORT**  
FIRST COMMITTEE OF REFERRAL

DATE: 1/25/93

FURTHER: JUD  
FINANCE

Date of 5-Day Notice: 1/27/93  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2/5/93

RESOURCES Committee considered SENATE BILL NO. 67

*Mental Health Trust Amendments*

"An Act amending provisions of ch. 66, SLA 1991, that relate to reconstitution of the corpus of the mental health trust, the management of trust assets, and to the manner of enforcement of the obligation to compensate the trust; and providing for an effective date."

and recommends:

and report it back as follows

replace with \_\_\_\_\_ CS \_\_\_\_\_

- same title
- new title
- technical title change (HB only)

attaches amendment(s)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

*Φ FN  
x 1 FN*

**FISCAL NOTE INFORMATION**

Department	Date	Zero	Fiscal
DNR	2/2/93		1,941.7
LAW	2/2/93	✓	

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

Governor's Bill with Previous Fiscal Notes (enter information above)

DO PASS:

OTHER RECOMMENDATIONS:

2 Peace - No Rec

2 Abroad NO REC FRANK

2 Owen A. Selman NO REC

1 Mike Miller Do Pass  
Chair: Signature and Recommendation

**SB**

**70**

**HFIN**

**FILE**

d.

(11)  
Date Referred: May 8, 1994

HOUSE COMMITTEE REPORT  
FURTHER REFERRALS:

5/9/94  
Rules

Date of Committee Action: 5/9/94

The FINANCE Committee considered:

CSSB 70(L&C)

CS FOR SENATE BILL NO. 70(L&C)

ASSISTIVE TECHNOLOGY LOAN GUARANTEES

"An Act establishing a loan guarantee and interest rate subsidy program for assistive technology."

RECOMMENDATIONS:  
be replaced with # CS CSSB 70 (Fin) [ ] the same title  
[ ] a new title  
[ ] have attached amendments(s)  
 do pass  
[ ] do not pass  
[ ] no recommendations  
[ ] individual recommendations  
[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: 2/23/94 (Dept/Date)  
DOE

[ ] fiscal impact \_\_\_\_\_  
[ ] zero fiscal note \_\_\_\_\_

fiscal note(s) \_\_\_\_\_  
[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
Ronald J. Larson	X				
Terry Martin	X				
Mike Harley	X				
Sean Parnell	X				
Jim S. Gressenden	X				
Tom Hoffmann					
Mike Savare	✓				
Tom Brown	✓				
Con Theriault	X	Theriault			
Richard [unclear]	X	Foster			

(10)

CO-CHAIRMAN'S SIGNATURE  
Larson

# FISCAL NOTE

STATE OF ALASKA  
1994 LEGISLATIVE SESSION

2  
Bill Version: SB 70  
BI (S) Publish Date: 2-22-94

Effective Date: February 22, 1994 Dept. Affected: Education  
 Title: An Act establishing a loan guarantee BRU: Vocational Rehabilitation  
 and interest rate subsidy program for Assistive Component: Assistive Technology  
 Sponsor: Senator Duncan Technology  
 Author: Senator Duncan COMPONENT SERIAL NO. 1202

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	100.0	100.0	100.0	0	0	0
TOTAL OPERATING	100.0	100.0	100.0	0	0	0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE	(Thousands of Dollars)					
002 Federal Receipts	100.0	100.0	100.0	0	0	0
003 GF Match						
004 GF						
005 GF/Program Receipts						
006 GF/MHTIA						
Other						
TOTAL	100.0	100.0	100.0	0	0	0

Estimate of any current year (FY94) cost: \$ 0

POSITIONS						
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See attached

Changes in SB 70 (L.C.)  
 reflect NO FISCAL CHANGE from the original  
 fiscal note. This fiscal note is appropriate.  
2/22/94 APF  
 date Comte Aide (initial)

Prepared by: Ralph J. Anderson, Director Phone: 465-6922  
 Division: Vocational Rehabilitation Date: February 22, 1994  
 Approved by Commissioner: [Signature] Date: 2-22-94  
 Agency: Department of Education

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FISCAL NOTE

State of Alaska  
1993 Legislative Session

BILL NO. SB 70

Title: An Act establishing a  
loan guarantee and interest rate  
subsidy program for Assistive  
Technology.

Department Affected: Education  
BRU: Vocational Education  
Component: Assistive Technology

Sponsor: Senator Duncan  
Requestor: Senator Duncan

The Assistive Technology of Alaska (ATA) Advisory Board has recommended to the division that we investigate using federal funds generated through the ATA project to fund the Technology Loan Fund. With this direction we have proposed to the federal funding agency a plan to fund the loan program by using federal receipts instead of state capital or general funds.

If approved ATA's fourth year grant includes a plan by which grant funds can be used to establish the loan fund. This would provide seed money to establish the loan fund. If this bill becomes law, the division can, by July 30, provide approximately 100.0 for this purpose. It is our understanding that this amount of money can be leveraged into as much as 750.0 as a guarantee and interest buy down depending on how the banking industry recommends the loans be set-up. This legislation forms a partnership between private industry and government to meet the needs of Alaskans with disabilities.

No additional staff cost.

Initial funding 100.0 from federal receipts, one year capitalization only.

Back-up

1 Adopted

Page 3, lines 2-3:

delete: "if there is less than \$200,000 in the assistive technology loan guarantee fund or"

This language would mean that only amounts **over** \$200,000 could be used to guarantee loans or subsidize interest rates. The base \$200,000 would be sitting in the fund with no purpose.

Add an immediate effective date for Sec. 2.

This would allow DVR to deposit federal funds from FY 94 into the account, allowing more money to be available sooner.

Adopted

Brown.

8-LS0404D.1 ✓  
Lauterbach  
5/6/94

AMENDMENT

2

OFFERED IN THE HOUSE

TO: HCS CSSB 70(STA)

Page 1, line 2, after "technology":

Insert "; and providing for an effective date"

Page 3, after line 20:

Insert a new bill section to read:

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



WALTER J. HICKEL/GOVERNOR  
State of Alaska

**GOVERNOR'S COUNCIL ON DISABILITIES AND SPECIAL EDUCATION**

P.O. Box 240249 • Anchorage, Alaska 99524-0249 • Phone: 907-563-5355 • Fax: 907-563-5357

March 15, 1994

Senator Rick Halford  
Alaska State Senate  
Capital Building  
Juneau, Alaska 99801 - 1182  
(Interdepartmental Mail Stop 3100)

Dear Senator Halford:

The Governor's Council on Disabilities and Special Education supports Senate Bill 70 and we request the bill be calendared for a vote by the Senate. As Alaska's Developmental Disability Planning Council, we have studied the bill and worked with people with disabilities to see that their concerns have been addressed in the bill's present form.

It has been said that technology is the great liberator. People with disabilities require access to assistive devices to achieve employment and live with independence. The Council believes that SB 70 will go a long way in accommodating these needs.

The current version of the bill clarifies the administrative procedures that will be used to implement the program. The process to apply for a loan is based upon sound banking principles. Federal money will be used in a creative way to provide a sustainable program for future benefit of Alaskans with disabilities.

Please schedule the bill for Senate action. We would be glad to answer any questions that you may have about the bill.

Sincerely,

A handwritten signature in black ink, appearing to read "David Maltman".

David Maltman  
Executive Director



# DENALI STATE BANK

119 N. Cushman Street • (907) 458-1400 • FAX (907) 458-2140 • P.O. Box 74568 • Fairbanks, Alaska 99707-4568

March 10, 1991

Senator Jim Duncan  
c/o Alaskan Senate  
Juneau, AK

RE: SB373

Dear Senator Duncan:

Thank you for introducing the above referenced bill. This letter is in support of your efforts to provide a loan guaranty and interest rate subsidy program for assistive technology. Passage of this legislation and funding of the program should allow many handicapped citizens of the State of Alaska to continue to be productive workers in our society. As we all know, a mentally or physically handicapped person can contribute much to a business or organization and enactment of this legislation continues to help to accomplish that purpose.

Denali State Bank stands ready cooperate in this program to provide loan funds. I have also discussed this matter with my Alaskan colleagues and find that they are in support of this issue.

May your efforts be rewarded with a swift passage of this bill. Thank you.

Sincerely yours,

Gary Roth  
President and Chief Executive Officer

GR/bf

*Governor's Committee on Employment of People with Disabilities*  
**P.O. Box 107018**  
**Anchorage, Alaska 99510-7018**  
**(907)269-4877: Voice (907)269-4879: Text Telephone**

March 19, 1993

Senator Jim Duncan  
Capitol, Room 119  
Juneau, Alaska 99811-1182

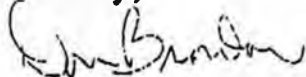
Dear Senator Duncan:

The members of the Governor's Committee on Employment of People with Disabilities would like to express their support of Senate Bill No. 70 and its companion House Bill No. 139. The Governor's Committee is interested in any legislation which may enable individuals with disabilities to gain, retain or advance in employment.

As you know, this legislation addresses a significant population of individuals in Alaska - the approximately 58% of individuals with disabilities who do not have access to the equipment which can help them live more sufficient lives. Not only will this assist individuals with disabilities, but also their families and businesses.

The Governor's Committee supports the intent of SB-70 and HB-139 and will be monitoring its progress as it makes its way through committee. If we can be of assistance in any way, please let us know.

Sincerely,



Don Brandon, Chair

## **Assistive Technology**

### *Background*

Technology such as computers and wheelchair ramps help people with disabilities to communicate more effectively, to work, and to gain access to independent lifestyles. Work place changes can pave the way to economic independence.

A 1991 study estimates that over 23,000 Alaskans could benefit from assistive technologies. However, everyone benefits when people who would otherwise depend on social welfare programs become financially self-sufficient through employment.

People with disabilities have a right to assistive technology under the federal laws Technology-Related Assistance For Individuals With Disabilities Act of 1988, the Individuals with Disabilities Education Act of 1990, and the Rehabilitation Act Amendments of 1992. Programs created by these laws are largely funded by the federal government with some state costs.

Until recently, several organizations offered "lending libraries" of assistive technology. None of these libraries was comprehensive. Small lending libraries have been pooled to create one comprehensive source to lend assistive technology to individuals with disabilities statewide.

The state Department of Education's Assistive Technologies of Alaska program has developed a computerized Cooperative Service Directory in cooperation with service agencies nationwide. Alaska is the first state to coordinate this directory among DOE divisions and the Department of Health and Social Services. This cooperative effort eliminates duplication, increases inter- and intra-agency coordination, meets several federal requirements at once, and is significantly less costly than developing multiple directories.

### *Problem*

Nearly 8,000 Alaskans want and need but do not have access to assistive technologies.

### *Strategy*

- A program of state guaranteed low-interest, long-term loans to individuals with disabilities for purchase of assistive devices would address the gap in statewide services.
- Continue coordinating efforts across Departments and divisions to assure that existing assistive technology resources are used effectively.

WALTER J. HICKEL  
GOVERNOR



P. O. Box 110001  
Juneau, Alaska 99811-0001  
(907) 465-3500

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 11, 1994

The Honorable Rick Halford  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

357

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to certain study, publication, and reporting requirements by and to state agencies. The bill would eliminate certain reports and amend the frequency with which other reports are required to be made. The bill also relates to certain fees for reports by and to certain state agencies.

The bill would streamline the administration of state government by repealing the requirement for certain reports that study has revealed are unnecessary or duplicative. Additional efficiencies can be gained by changing the mandatory reporting period for certain other reports from annual to biennial in specified situations. All of these changes are primarily designed as cost-saving or efficiency measures. None of the changes would reduce the flow of information necessary to the effective execution of governmental responsibilities or the monitoring of executive branch activities by the legislature or the public.

Finally, some of the reports duplicate information already submitted as part of the state budget process. Savings will result through more efficient use of state personnel formerly assigned to the production of these reports.

This bill is good for efficient government, and I urge your consideration and support of it.

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel".

Walter J. Hickel  
Governor

(7)

Date Referred: April 20, 1994

# HOUSE COMMITTEE REPORT FURTHER REFERRALS:

5/8/94  
Finance

Date of Committee Action: 5-6-94

The STATE AFFAIRS Committee considered:

CSSB 70(L&C)

CS FOR SENATE BILL NO. 70(L&C)

ASSISTIVE TECHNOLOGY LOAN GUARANTEES

"An Act establishing a loan guarantee and interest rate subsidy program for assistive technology."

RECOMMENDATIONS:  
 be replaced with HCS CSSB-70 (STA)  the same title  
 a new title  
 have attached amendments(s)  
 do pass  
 do not pass  
 no recommendations  
 individual recommendations  
 additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)  
 fiscal impact HSTA / DOE  fiscal note(s) \_\_\_\_\_  
 zero fiscal note \_\_\_\_\_  zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i> VEZEY	X	<i>[Signature]</i> Olberg		✓	
<i>[Signature]</i> Kott	X				
<i>[Signature]</i> G Davis	X				
<i>[Signature]</i> B Davis	X				
<i>[Signature]</i> Ulmer	X				
<i>[Signature]</i> Sanders	✓				
	(6)			(1)	

*[Signature]* Vezev  
CHAIRMAN'S SIGNATURE

4/20/94

HOUSE COMMITTEE REPORT

(9)  
Date Referred: March 21, 1994

FURTHER REFERRALS:

State Affairs  
Finance

Date of Committee Action: 4/19/94

The HEALTH, EDUCATION AND SOCIAL SERVICES Committee considered: CSSB 70(L&C)

CS FOR SENATE BILL NO. 70(L&C) ASSISTIVE TECHNOLOGY LOAN GUARANTEES

"An Act establishing a loan guarantee and interest rate subsidy program for assistive technology."

- RECOMMENDATIONS:  the same title  
 be replaced with \_\_\_\_\_  a new title
- have attached amendments(s)  
 do pass  
 do not pass  
 no recommendations  
 individual recommendations  
 additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_  
 fiscal impact \_\_\_\_\_  
 zero fiscal note \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_  
 <sup>Senate</sup> fiscal note(s) Education 2/23/94  
 zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>[Signature]</i> Kott	X	<i>[Signature]</i> Olberg			
<i>[Signature]</i> G. Davis	X				
<i>[Signature]</i> Toohy	✓				
<i>[Signature]</i> B. Davis	✓				
	(4)			(1)	

*[Signature]* Toohy  
CHAIRMAN'S SIGNATURE



**SENATOR JIM DUNCAN**  
*ALASKA STATE LEGISLATURE*

Alaska State Senate

State Capitol • Room 119 • Juneau, Alaska 99801-1182 • (907) 465-4766 • Fax 465-4748

**MEMORANDUM**

**Date:** May 6, 1994

**To:** Representative Eileen MacLean, Co-Chair  
Representative Ron Larsen, Co-Chair  
House Finance Committee

**From:** Senator Jim Duncan

**Subject:** HCS SB 70 (STA), an act establishing a loan guarantee and interest rate subsidy program for assistive technology.

Thank you for scheduling Senate Bill 70 in the House Finance Committee. This bill establishes the Assistive Technology Loan Guarantee Program. The program will assist persons with disabilities to purchase durable equipment, adaptive aids, and assistive devices to obtain or maintain employment or to live more independently. SB 70 is substantially similar to a bill which was heard in the House HESS committee earlier this year, HB 139.

The program will allow the Division of Vocational Rehabilitation to guarantee loans or reduce the interest rate on loans from private lending institutions to make the payments more manageable for consumers. Based on a study of comparable programs nationwide, the Senate Labor and Commerce amendments to SB 70 clarify the respective responsibilities of the lending institutions and the Division of Vocational Rehabilitation.

Application for a loan will be made directly to a lending institution which will evaluate the credit-worthiness of the individual. If the institution determines the individual with a disability can repay the loan requested, but only with a lower interest rate or a loan guarantee, the bank will refer the borrower to the Division of Vocational Rehabilitation for assistance from the Assistive Technology Loan Program.

The Department of Education supports this bill. Under SB 70 the funding for the loan program is primarily from federal grants which are anticipated to continue into the foreseeable future. Under SB 70 the Assistive Technology Loan Program would sunset if federal funds were no longer available. SB 70 also allows the contribution of private funds, and already two Anchorage area banks have indicated interest in contributing funds prompted by the federal Community Reinvestment initiative.

I respectfully urge your prompt and favorable action on SB 70.

Attachments

**SB**

**70**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/22/94

FURTHER:

DATE TURNED INTO OFFICE: 3-10-94

The Finance Committee considered **SENATE BILL NO. 70**

"An Act establishing a loan guarantee and interest rate subsidy program for assistive technology."

and recommends:

replace with \_\_\_\_\_ CS \_\_\_\_\_ (FINANCE)  
 or  adopt previous \_\_\_\_\_ CS SB 70 (LTC)  
 attaches amendment(s)

same title  
 new title  
 technical title change (HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

**NEW FISCAL NOTES**

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTES**

Department	Date	Zero	Fiscal
<u>DOE</u>	<u>2-22-94</u>		<u>100.0 Fed.</u>

Appropriation No Fiscal Note

**DO PASS**

[Signature]  
[Signature]  
[Signature]

**OTHER RECOMMENDATIONS:**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

1. [Signature] DO PASS  
 Co-Chair: Signature/Recommendation

2. [Signature] DO PASS  
 Co-Chair: Signature/Recommendation

# FISCAL NOTE

( 2 )  
 Bill Version: SB 70  
 (S) Publish Date: 2-23-94

STATE OF ALASKA  
 1994 LEGISLATIVE SESSION

BI

Revision Date: February 22, 1994 Dept. Affected: Education  
 Title: An Act establishing a loan guarantee and interest rate subsidy program for Assistive Technology BRU: Vocational Rehabilitation  
 Component: Assistive Technology  
 Sponsor: Senator Duncan  
 Requestor: Senator Duncan COMPONENT SERIAL NO. 1202

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	100.0	100.0	100.0	0	0	0
<b>TOTAL OPERATING</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
1002 Federal Receipts	100.0	100.0	100.0	0	0	0
1003 GF Match						
1004 GF						
1005 GF; Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimate of any current year (FY94) cost: \$ 0

**POSITIONS**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary)

See attached

Changes in CSB 70 (L.C.) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.  
2/22/94 ADT  
 date Comte Air's (initial)

Prepared by: Keith J. Anderson, Director Phone: 465-6922  
 Division: Vocational Rehabilitation Date: February 22, 1994  
 Approved by Commissioner: [Signature] Date: 2-22-94  
 Agency: Department of Education

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Back-up

**ASSISTIVE TECHNOLOGY**

**LOAN & GRANT**

**PROGRAM OVERVIEW**

A Overview of  
Assistive Technology Loan and Grant Programs  
in the United States  
1991-1993

Produced by

The Alaska Division of Vocational Rehabilitation  
Keith Anderson, Director

The Alaska State Department of Education  
Jerry Covey, Commissioner



Prepared by George W. Haynes  
Anchorage, Alaska

Copies of this study are available at:

Assistive Technologies of Alaska  
400 'D' Street, Suite 230  
Anchorage, Alaska - 99501  
(907) 274-0138

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Part III Universe of Need and overview of market statistics

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2. Typical statutes and regulations

3. Applications for loans: commercial and Tech Loan revised apps.

## Executive Summary

### Are loans for Assistive Technology made by other states?

Some 42 states now offer loans for assistive technology to persons with disabilities. Three states have used funds allocated by the federal government for that purpose while others have added a Technology component to existing loan programs in Education, Small Business Development, Job Training, and Agriculture.

### How are these loans made?

Loans to disabled persons are made in a variety of ways. Most often, the state agency holding the loan funds have elected to encourage banks and other lending institutions to use their money by guaranteeing some portion of the loan or by "buying down" the interest rate or principal so as to make repayment easier for persons with regular, but limited incomes. Four states operate the loan program directly and have created a Revolving Loan fund which permits the fund to be replenished by the loan payments themselves.

### Are applicants screened for credit worthiness?

Yes. All states process applications the same way a bank does. In the early years of the loan program (1991) two states did not run a credit check and experienced a catastrophic default rate, but the remainder paid close attention to the credit and income history of the applicants. As a result, the overall default rate as of December, 1993, is 5.2%.

### What is the difference between a regular bank loan and an Assisted Loan?

The Assisted Loan program provides cash incentives and guarantees to banks for loans that they might not otherwise make or, if they did, would charge a higher interest rate because most borrowers will need a longer time to pay such loans off due to income limitations.

### Are there any upper limits on the amount a person can borrow?

Yes. Most states have set a dollar limit on each loan based on a number of factors; the amount in the fund plus the number of applicants and the average cost of the technology itself are all factors taken into consideration. Caps on loans are usually set by regulation rather than by statute, because circumstances change and the loan administrators need to be able to make necessary adjustments - up or down- quickly. Right now the average loan cap is \$5,000.00.

### Is there any kind of technology the Loan Program will not fund?

Yes. None of the programs will lend money to purchase a car, airplane, or boat. Loans can be made, however, to configure these items to meet the needs

of the disabled person such as adding a wheel chair lift and/or by installing hand controls. With a few exceptions, these alterations are within the present \$5000.00 limit.

**Is there a need for a loan program in the first place?**

Persons with disabilities occupy the same economic range as the non-disabled population. Most (60%) have an adequate income to meet most of their needs and are sufficiently above the official poverty level to prevent equipment and services from being provided by Medicaid or Medicare.

There is a middle group (22%) who are within 125% of poverty level and who may qualify for some services but not all the time. The bottom level (21%) are fully qualified to receive public assistance services.

It is the two top groups who find themselves unable to pay for a device outright but who could well manage to repay a loan that covered a period of six to eighteen months. This is a significant portion of the disabled population. Many of these people (28%) have accumulated some money (20 to 50%) toward the purchase of technology and need to borrow only the remainder.

**What benefits, if any, do the state and the taxpayer get from such a program?**

Several. Assistive Technology is used to keep disabled people independent of full time care in a nursing home or other institution. Technology is also used to configure a home or apartment to permit an institutionalized person to become independent and live on his or her own. The savings to the taxpayer are in the hundreds of millions of dollars (See U.S. Dept of Ed. Study, 1991)

Secondly, many disabled persons are able to obtain a part time or full time job by mastering some of the more sophisticated technology such as computers and the myriad tasks these devices govern. Cottage industries abound in everything from furniture and small appliance repair to full scale advertising and research services. Others are able to go to work by getting a better wheel chair or by having their cars configured to meet their needs. At least 30% of all loan applicants wanted to use technology to get, keep or enhance a work situation. Working people pay taxes.

**Alaska has a lot of unique conditions not found in other states. How will the Loan Program work here?**

The Alaska Division of Vocational Rehabilitation will serve as the operator of record for the Assistive Technology loan fund. DVR has extensive experience in providing comprehensive rehabilitation services to people throughout the state. In addition to a professional staff, DVR can call upon the talents of volunteers who serve on several advisory boards and commissions and the active support of a large number of employers, including banking institutions. In recent years, the Division has made several major changes in its operating methods in an effort to better serve the disabled community in the Bush and to more quickly process applications for assistance.

Tech Loan Program on the line  
Legislature to decide this year

If the Legislature OK's the proposed Assistive Technology Loan program, Alaska will join 42 other states that provide loans for needed technology to persons with disabilities.

Alaska's loan program will offer some plusses for borrowers not normally available in regular bank loans. Depending upon individual circumstances, the Loan Fund may guarantee the loan for up to 90% of the face value or will lower the interest rate or principal the borrower has to pay by "buying down" a portion of either. These special features will permit a lot of people to qualify for needed loans.

The Loan Program is not a free ride, however. Borrowers have to have exhausted or be ineligible for other forms of cash assistance, such as Medicaid and present a reasonably decent credit rating plus have enough income to pay back the loan. A lot of disabled Alaskans have incomes and many are employed but they may not make enough to lay out three or four thousand dollars all at one time. None of the people in this group are eligible for public assistance. That's where the loan program comes in and why it fills a gap.

The loan fund will be operated by the Division of Vocational Rehabilitation who will develop regulations and create an operating committee to work with banks and credit unions and to make sure that everyone eligible hears about the program

The chances of the loan program's success in the legislature will be increased if people who like the idea of a loan program for assistive technology will write or call their representatives in the House and Senate. This is a "people" bill and the people will have to see that it gets the support it needs.

George Haynes  
276-0801

## Forward

As of October 1, 1993, there were 42 technology loan and grant funds in the United States. Of these, only three are wholly capitalized with N.I.D.R.R. funds. The remainder utilize (1) appropriations from state legislatures, (2) bond issues, or (3) other state and federal funds which pre-existed for programs focusing on other concerns, such as education, housing, employment, and small business support.

Each of the existing programs have added Supportive Technology as an integral option. While not specifically reserved for handicapped citizens, these programs have made an extra effort to advertise the availability of their respective funds within the community of the handicapped.

Several proposed programs have been unable to muster the necessary legislative support to initiate an Independent Technology Loan program but continue to work toward that goal. Two states have determined that their best opportunity to achieve their goals lie in grafting a specialized technology loan program into an existing loan fund willing to cooperate.

Technology Loan programs, *per se*, have existed only since the middle of 1991 so it is too soon to render a verdict on their success or failure. From the data thus far made available to this study, there are several positive signs. Default rates for the three N.I.D.R.R. programs hover around 3% which banking officials consider to be more than acceptable. In other states, legislators who had originally provided only cautious or even, grudging, support have raised annual appropriations to include administrative costs and, in one case, a loan-by-loan remuneration thereby maintaining the fund's full level.

The key to success appears to lie in the administrative mechanisms established at the outset and methodically pursued in each and every loan or grant. Expertise in banking is an integral part of all successful loan programs as well as the ability and willingness to provide client counseling in the fields of technology use and personal financial planning. Where these were lacking or - as in the case of New York, missing altogether - the programs were far less successful. (New York's loan program is so far from the norm that its depressing statistics have not been factored into the running averages listed in this study.)

For Alaska, there are many aspects of these programs worth emulating once the loan fund is established. Planners must also consider the potential gains to be made by encouraging the addition of specialized technology loans and grants within existing programs in education, housing, labor, and small business development.

Vocational Rehabilitation programs have done much to reduce federal and state costs in public assistance, medical care, and transportation. By adding one more option to the existing services DVR offers, a significant segment of the disabled population will be able to achieve greater independence and enjoy the option of employment and a more productive and satisfying life.

# Geographic Distribution of Loan Programs



★ Denotes location of participating loan program. In many cases, there is more than one participating loan program per location.

## Tech Loan Programs Legislation, Administration, and Operations



### 1. Common Factors

There are 42 specialized loan programs presently operating in the U.S. After five years of operation, there appear to be five basic rules for success:

- A. The applicant must be disabled under existing state definitions.
- B. The applicant must be able to repay the loan.
- C. The Technology must be appropriate to the consumer's disability.
- D. The loan fund must be the sole remaining source of financial help for eligible applicants. (Last Dollar concept)
- E. The fund must be able to receive funds from any legal source.

To which this study adds a sixth axiom in two parts:

F. (A) Financial counseling before and during the loan cycle will assure a significant reduction in the default rate and provide the applicant with some insights into personal financial planning that will materially enhance his or her ability to achieve and maintain independence.

(B) Resource Review. Since most of the AT loan programs utilize the "last dollar" concept, it is important to determine whether or not the applicant may have other potential resources in the community. A professional review of the applicant's involvement with state and federal agencies prior to the loan application may reveal hitherto unknown resources that can meet the client's needs in whole or in part. It must not be assumed that every applicant is fully aware of all of the possible assistance programs that may be available. Maine discovered that fully 10% of those persons applying for an assisted loan met the bank's criteria for a full-rate unassisted loan.

Information and Referral - a hallmark of N.I.D.R.R. - would appear to be a necessary adjunct to any Assisted Employment and Technology Loan program. The present activities of the Division's Assistive Technology Unit may be a key component in all loan applications and processing. I & R is a never-ending job and one that is most often subject to fits and starts depending upon funding availability and central planning concepts.

### 1. Legislation

The bills before the Alaska House and Senate are essentially a bare-bones framework upon which to build the appropriate Loan and Grant activities the Division feels will be most beneficial to the person seeking an assistive device and to the Division in being able to discharge its duties to the general public.

In arriving at suggested language, five (5) state loan programs were reviewed. Loan administrators were contacted with requests to comment on the usefulness of the original statutory language and the kinds of problems generated which might have been avoided or ameliorated had the statute been worded differently.

There was universal agreement on the following statutory requirements:

A. The statute must contain provisions clearly identifying the program as a loan program with all of the necessary language requiring evidence of credit-worthiness on the part of the applicant whether as an individual or organization.

B. Organizations borrowing funds must demonstrate clearly that the loan will benefit one or more individuals with disabilities and require such organizations to specifically detail the need, uses to which the technology will be put, and the kinds of program and individual support that will be provided over the lifetime of the loan. Individual borrowers should have a priority, unless otherwise stated.

C. A Governing Board or Commission must have the following powers:

1. Ability to negotiate with lending institutions to establish loan duration, interest, and service charges.
2. Ability to "buy down" either principal or interest for any given loan.
3. Ability to write regulations governing the above and any Grant provisions authorized by statute.
4. Ability to contract with other appropriate individuals and organizations to provide loan application services, including initial credit check, technology and financial counseling, and post-loan services as needed.
5. The Board or Commission may not delegate its powers of loan approval, modification of the loan terms, forgiveness, or default activities. A contractor, if any, cannot change the rules on its own.
6. Ability to receive from any legal source, including the United States, funds and support for the program.

D. If grants are to be authorized, these must be limited to a fixed percentage of the total available loan fund. Two states began with a 50-50 split between loans and grants and both now regret it. For initial capitalization of less than \$100,000.00, only 10% of the fund may be the appropriate limit. The statute can, if desired, set a series of incremental increases in the grant-loan ratio based upon the amount in the fund at some fixed date (July 1, for example) and amended by the default rate for that year.

E. The statute should authorize the administering Division or Agency to set and recover administrative costs - where funds exist for this purpose or may be acquired in the future. A loan program without such mechanisms will forever require the Division to absorb such costs either directly, indirectly, or under the table. For example, a portion of each recovered loan may be properly charged to Administration - usually 3% in the commercial market - and while these funds will not initially cover the costs of administration, as the fund grows and the default rate decreases with experience, this pool of monies can be meaningful over the years. At this time in Alaska, it is doubtful if the Division can successfully seek an appropriation for this purpose from the Legislature, but the enabling legislation should be in place for future use.

F. Reports. The Division (or the Commission) must make an annual report to the Legislature on the loan program detailing the number of loans made, the pur-

ses to which each have been put, the number of defaults, total earned income from all loans, total in the loan fund from repaid loans plus any grants or donations received during the year preceeding. The default rate should be compared to that presently experienced in the commercial market and/or other, similar loan programs in other states, if known. (Seek out these data) The Division may also wish to detail administrative costs and the means by which it defrayed these charges - or again, you may not.

Virtually all of the Legislative Aides who are familiar with this program stated that they would best be able draft a clear and understandable statute if the authors would first state their desires in clear, unequivocal English rather than attempt to emulate the Byzantine language of the professional statute writers.

This raises the question as to why statutes themselves cannot be written in reasonably clear English. Some suggested Loan Program components follow:

Rehabilitation Revolving Loan Guarantee Fund

Sec. 100	Definitions
Sec. 200	State Loan Fund, establishment of Loan Committee
Sec. 300	Nondiscrimination
Sec. 400	Limit on State Liability
Sec. 500	Excess applications; priority
Sec. 600	Purposes for which loans may be granted; limitations
Sec. 700	Payment of Funds
Sec. 800	Participation of Private Lenders
Sec. 900	Maximum amounts of single loan; criteria

Sec. 100 Definitions:

For the purposes of this Act:

(1) Assistive Technology Device - means any item, piece of equipment, or product system, whether acquired commercially off the shelf, modified, or customized, that is used to increase, maintain, or improve functional capabilities of individuals with disabilities (29 USC 2202)

(2) Individual with Disabilities - means any individual -

A. who is considered to have a disability or handicap for the purposes of any Federal law, including the Social Security Act of 1972.

B. who is or would be enabled by assistive technology to achieve or maintain a greater level of functioning in any life activity, including the pursuit of assisted or independent employment. (102 Stat 1048)

(3) Department - means the Department of Education, the Commissioner thereof, his assigns, designees, or successors in function.

(4) Division - means the Division of Vocational Rehabilitation, the Director thereof, his assigns, designees, or successors in function.

(5) Qualified Borrower - means any individual or non-profit corporation (in that order of precedence) who demonstrates that the loan will assist one or more persons with disabilities to improve independence or become more productive members of the community. Borrowers must demonstrate credit-worthiness and repayment ability to the satisfaction of the Credit Committee.

5. Lending Institution - any Bank or Credit Union licensed by the Federal Reserve Bank of the United States or possessing a Charter from the Division of Banking, Alaska Department of Commerce, and in good standing with same.
6. Non-Profit Corporation - Any entity incorporated under the Laws of the State of Alaska or licensed to do business therein, AND so designated by the Internal Revenue Service under section 501 (C)(3) of the Internal Revenue Code and in good standing with both the United States and the State of Alaska

200 Loan Fund: establishment. and creation of of Loan Committee

Sec. 1 Loan Fund

There is established within the Department of Education a fund entitled, "The (Supported Employment and) Assistive Technology Loan Fund." - hereinafter called, "the fund"-which shall be used to provide loans (and grants) to qualified borrowers within the State in order to acquire equipment designed to assist the borrower in achieving independence, maintaining independence, and/or in supported or independent employment. The fund shall be deposited with and administered by the Department of Education with, as necessary, the assistance and support of the Departments of Revenue and Administration and shall contain appropriations provided for that purpose by the State of Alaska, the Federal Government, and any other legal source of funds that may be available in any given fiscal year.

Sec. 2 Administrative Expenses: Costs and expenses of maintaining, servicing, and administering the Fund established by this chapter may be paid out of amounts in the fund or defrayed by other established means.

Sec. 3. Loan Committee

A. Establishment. There is established within the Department of Education Division of Vocational Rehabilitation the Assisted Technology Loan Committee which shall consist of not less than three (3) nor more than nine(9) members composed as follows:

(1) The Commissioner or his designee, an experienced consumer lending specialist (Banker or other), and a Vocational Rehabilitation Counselor to be chosen by the Director of the Division of Vocational Rehabilitation and submitted to the Governor for formal appointment. If more than three (3) members are appointed, the remainder shall be persons with disabilities appointed by the Governor from a list submitted by the Commissioner. This Committee may be located within the Governor's Council on the Employment of the Handicapped at the option of the Governor or within other existing advisory bodies serving the Department.

B. Terms of Office. Members of the Committee shall be appointed for a term of four (4) years. Vacancies occurring on the Committee shall be filled in a like manner governing original appointments.

C. Duties of the Committee - The Committee shall have the following powers and duties:

(1) Receipt of Money and Property. The Committee may accept and receive gifts, grants, bequests or devises from any source., including funds from the Federal government or any of its subdivisions.

(2) Contracts. The committee may, with the approval of the Commissioner, enter into any necessary contracts and agreements with appropriate state and community based agencies, including licensed lending institutions, for the purposes of discharging the obligations of this statute.

(3) Administration and Advice. The Committee shall, under regulations established by the Director, administer the Assistive Technology Loan Program established by this chapter.

(4) Rules. The Committee may promulgate, with the advice and consent of the Director and in compliance with the Administrative Procedures Act, such Regulations as it deems necessary to efficiently discharge the duties and obligations enumerated in this Chapter, including, but not limited to, the setting of loan limitations as to amount on any individual transaction, the setting of limitations on any Grant that may be requested, and the establishment by contract or other valid means, remote processing mechanisms for the receipt of loan applications, initial processing, credit checks, and financial counseling for qualified applicants, as necessary.

Sec. 300 Nondiscrimination. State guaranteed loans made pursuant to this chapter, shall be made without regard to race, color, creed, sex, age or handicap.

Sec. 400 Limits on Liability. The total amount of all outstanding debts, obligations and liabilities which may be outstanding under the chapter is limited to the amount contained in the Revolving Loan Fund and the state shall not be liable beyond that amount for any purpose.

Sec. 500 Excess Applications, Priorities.

The Department shall establish priorities for the awarding of loans which shall be in effect at all times but especially when the total number of loans requested exceeds the available dollar amount in the Fund.

Sec. 500 Purposes for which loans may be awarded; limitations

A. Loans may be awarded to qualifying borrowers for the purposes, including but not limited to, the following:

(1) Individual Independence. To assist one or more persons with disabilities to improve their independence or to achieve independence through the purchase of appropriate assistive technology.

(2) Productive Members of the Community. To assist one or more persons in achieving a measurable degree of productivity, whether for wages or not, in their respective communities.

B. Limitations:

(1) Loans may not be granted for the purchase of motor vehicles, boats or aircraft, although the means to modify such items in order to make them useable to the individual is authorized.

(2) Loans may not be granted to any individual or group that has other means to acquire assistive technology and each applicant shall certify that no other source exists at the time of application to provide assistance for such purchases. The Committee may, by regulation, require other evidence indicating that the Loan Fund is the sole remaining potential source of assistance.

Sec. 700 Distribution of Funds.

Funds distributed to any payee shall be paid in accordance with the Administrative Procedures Act by the Department of Administration upon receipt of a valid authorization from the Division and by no other means.

Sec. 800 Participation of Private Lenders.

Loans will ordinarily be made by qualified private lenders with the Fund providing a guarantee of either principal, interest, or both, as may be expedient.

In entering into any written agreement with a qualified private lender, the Department shall clearly identify joint liabilities to be incurred, including the sharing of loss of interest payments in any default that may occur. Private lending institutions may not demand a wholly risk-free contract or other relationship with the State but may be reimbursed for all reasonable administrative charges that may occur which shall be taken from the interest accrued on each loan.

Sec. 900 Maximum amount of individual loans.

The Division may set a maximum amount for each loan, taking into account the balance of the fund, the demand for loans, and the default rate for loans outstanding. In no case shall any individual loan exceed ten (10%) percent of the total available in the loan fund at its inception or at a given anniversary date to be set by the Department.

Comment:

Loan legislation and the accompanying departmental regulations should have at least the major topic headings listed above.

Strict limits on State liability and a clear set of priorities in the processing and granting of loans must be set. Section 800, "Participation of Private Lenders" fairly describes the relationship between the Division and the banking community. This includes a set of definitions and establishes the joint liability of both entities in absorbing costs associated with defaults. Banks stand to make money on these loans and therefore cannot be wholly absolved from some degree of risk. Most banking institutions accept such language which, in the case of California, was added after a number of painful setbacks and confusion about the relative responsibilities of the State and the lending institution. When in doubt, put it in writing up front and without equivocation. Anything else will lead to the loss of good will and may involve litigation.

Regulations

Loan programs, particularly those aimed at a specific group, need a good set of rules for everyone to understand and follow. In Alaska, especially, where advocacy groups representing a wide variety of disabilities exert visible influence, the Division will want to craft a series of regulations that create a level playing field for everyone - including those individuals who do not have - and may not want - a close relationship with an advocacy group. Rural residents can easily be overlooked in any program or service and this loan program will be no different unless the Division consciously takes that significant segment of the disabled population into account in its initial planning.

Concerns to be Addressed by Division Staff

1. Processing Time. A major complaint in all assistive technology loan programs is the amount of time taken to approve a loan once the application has been officially filed. Since AT Loans require not only a credit check from one or more of the three national credit reporting agencies but some investigation into the possibility of locating another funding source as well as some degree of pre-qualification to use the selected device, there will necessarily be a slightly longer period of processing than might normally take place in a standard commercial loan. How this process can be accelerated without loss of data should be an ongoing concern.

2. Reaching remote or underserved areas. This factor has been mentioned previously but deserves a special emphasis since many potential borrowers who are without other financial means may well reside in Alaska's vast rural community. Their individual incomes from federal and state disability sources may be sufficient to repay a needed loan and many have other casual resources that could be utilized for this purpose as well. The problem is (1) reaching this group, (2) educating them about the program, (3) assisting them in filling out the application, and, (4) arranging for a commercial lender to make the loan in an area which may not have a banking institution or branch readily at hand. A rural outreach component in Alaska is recommended.

2. Use of VRC's or other Division Personnel to pre-approve requested technology..

A. Background.

All three states using NIDRR funds exclusively and the State of Maine which has a \$5,000,000.00 bond fund, stated that borrowers must be pre-qualified in the uses, including the limitations, of a desired assistive devices. While consumer control of services is a growing reality in most VR operations, there is an unfortunate history of wasted money having been spent on technology the consumer wanted but that later proved to be unsuitable or even counterproductive to the client's recovery. Lending Libraries of Technology are one means of determining the actual usefulness of a device before the complex process of granting a loan is initiated. Whatever system is ultimately set in place, it must take into account the consumer's perceptions balanced by the assessed needs of that consumer on the part of a rehabilitation or health professional.

B. Considerations and Challenges.

States with substantial populations were able to locate and pay for a professional loan manager to oversee this process while others found the necessary expertise in their Departments of Commerce or Revenue (Treasury). One, (Virginia) had an in-house professional already on the staff but serving in another capacity.

Two states utilized their VRC's for this purpose but are concerned that in dealing with a group of persons no longer eligible for VR services, any time spent on this group may not be properly chargeable to any existing RSA (Rehabilitation Services Administration) category (Statutes 10 to 30). The Division may elect to utilize one or more of its grantees for this purpose but it is doubtful if many of these agencies will agree to perform these services *pro bono* and there are no administrative funds for this purpose. It may be necessary to train at least one employee in the intricacies of small loans and their administration. This person, in turn, can supply TA to others in the Division and elsewhere as needed.

3. Semi-annual and annual review of operations.

A tracking system must be developed so that the strengths and weaknesses of initial program operations can be analyzed and amended promptly as needed. There will be changes; all loan programs report that despite their best initial efforts the realities of the actual loan program operation dictated a number of changes, most of them minor but all of them necessary.

4. Funding Sources One of the duties of the committee or loan working group must be the location of other funding sources to replenish the fund. Contacting other states with similar programs for guidance is recommended.

### Loan Program Models

There are seven variations in providing loans for Assisted Employment and Technology to persons with disabilities. While all options have been defined in the Glossary (Part I, pg 2), the Division of Vocational Rehabilitation need consider only three of these, given the limited capitalization of the initial loan program itself and the decision to avoid a direct, revolving loan program within the state executive departments. These are:

1. Loan assistance through an interest or principal buy-down arrangement with private banks.
2. Loan assistance through a guarantee program administered by private banks or other private lending institutions, and,
3. The Division can 'package' loans for private banks to administer without subsidy or guarantee.

#### Discussion:

##### 1. Principal or Interest Buy Down.

This model builds on the principle that sponsoring organizations can leverage their limited funds by attracting the financial participation of private banks. One time loan funds are used to "buy-down" the interest rate that would otherwise be offered by banks at their standard commercial lending rate. For example, if the standard interest rate for loans of this type is 12 percent, the Division might choose to reduce the effective interest charged to the borrower to 8 percent by paying the 4 percent difference to the bank. Similarly, the Division might choose to reduce the principal by some fixed percentage in order to reduce the total interest and principal payments. This method expends only a fraction of the total loan value for each loan which acts as a multiplier for the original loan fund capitalization.

##### 2. Loan Guarantee Program

This is another leveraged loan program but differs from the Buy Down approach in that, rather than directly alter the interest or principal charged, the Division would guarantee the loan in the event of a default. This guarantee might be for the entire amount or for a percentage of the principal and interest, depending upon the agreement negotiated between the Division and the cooperating bank. This method is to be preferred where (a) there is a fixed amount in the loan fund which is unlikely to be replenished by either State or Federal funds on an annual basis, and, (2) the Division has instituted a good credit evaluation system for all applicants.

##### 3. The Packaged Loan Program.

This model is premised on the fact that, in some instances, the only barrier to private financing is the belief on the part of most banks that it is not profitable to make a relatively small number of loans for specialized items. If this proves to be the case, the Division can "package" a number of small loans by pre-screening each applicant, writing the loan instruments, and delivering the multiple loan package to the bank all

neatly polished and ready to go. The bank therefore has zero administrative costs in the processing of the application and may feel that the resultant loans will meet its criteria of profitability. This model is not universally applicable but should be considered as another method of encourage private lending institutions to enlarge their customary loan portfolios to include Assistive Technology.

#### Which Loan Program Model Is Best for Alaska?

There is no single program that can be said to be universally applicable to each and every borrower or geographic region. The Division can mix and match any number of approaches in reaching an accommodation with private lending institutions. The exact method and model should be left to the regulatory authority of the Department rather than defined in the statute itself. Statutes are written in stone; regulations can be amended when and as needed.

#### The Role of Banks and Credit Unions.

A general discussion of banks and banking is included in this study. In Alaska, banks have tended to concentrate their locations and services within the major market centers of Anchorage and Fairbanks. Juneau is also a major market area consisting of the fishing, logging, and mining as principal users of banking services. State funds, too, are a major factor in all banks. Branches of some - but not all - major banks are located throughout the state in such communities as Nome, Bethel, Kotzebue, King Salmon, Cordova, Yakutat, Wrangell, Sitka, and Ketchikan. These towns often serve as service centers for the surrounding areas they dominate and small village banking can be done through these outlets. Banks with branches in the bush should be contacted during the initial planning phase.

Given the incentives that Congress has mandated in the 'Community Reinvestment Act' - among others - banks are generally receptive to the kinds of loan packages listed above and in the appendix. Some of the newer banks appear willing to co-invest with the state with both sharing risks and rewards. This method should be explored initially as a means of further leveraging limited funds.

#### Initial Planning and Establishing Banking Relationships

##### A. Other Technology Loan Programs

The Division will want to review other studies of the Supported Employment and Assistive Technology Loan Programs before it begins its planning to implement Alaska's own loan programs. Included in the Appendix is a completed study by the Commonwealth of Virginia that lists major findings which are summarized in this study.

##### B. Contacting Banks -

The Division will want to initiate several meetings with all major lending institutions and may best accomplish this by seeking Letters Of Interest through the normal bid/RFP process. These talks will be crucial in the creation of workable regulations and consumer access to loans and grants.

C. Review the Tech Act States Loan Programs

It should not be necessary to reinvent the wheel - although many states did exactly that when creating their Tech Loan Programs, forgetting or overlooking the fact that there were many existing models for this kind of loan program, some of which have been in operation for 20 years. While Alaska has some unique aspects in terms of population concentrations and geographic immensity, it is not all that different from other states with sizeable rural populations with limited transportation and communications capabilities. Where parallels exist, these should be noted and emulated rather than make an attempt to devise a loan program from whole cloth.

## Loan Process - from Application to Approval<sup>1</sup>

The actual process of applying for and receiving a loan is described below in some detail because there are differences between normal bank loans and tech loans.

### A. Notice of Availability of Specialized Loans

Information about the program is sent to all VR organizations, non-profits, and often placed in the media as well. A wide variety of pamphlets and other printed material is produced. (See Appendix) As with most helping programs, the existing formal and informal networks have proven to be the most reliable method of spreading the word to the people who will make use of the service.

### C. Eligibility Restrictions

1. All of the loan programs require evidence that that the applicant is (1) disabled and, (2), can repay the loan. Most states additionally require evidence that the applicant knows enough about the device to make good use of it and has at least tried it out, either through a Lending Library, or in conjunction with job or rehabilitation training.

2. Most states follow the "last dollar" concept for their loan programs. The applicant must prove that no other funding source is available to acquire the technology - or that the a source has requirements that the applicant cannot meet - before the loan agency will process the application.

All states require proof of rejection from agencies such as VR, Medicaid or Public Assistance. Only three of the states surveyed actually conduct a file search of the applicant's history with helping agencies to prevent possible misuse. If Alaska adopts the "Last Dollar" concept, thought must be given to a routine agency file search to avoid the kinds of duplication that inevitably creep into such programs.

### D. Processing Loan Applications

All states route applications through a screening board to determine the following:

1. Ability of the Applicant to repay the loan.
2. Reasons for wanting to purchase the device(s) or services.

### Discussion:

1. Five states use VRC's, orthopedists, vision and hearing specialists, etc. or similarly trained professionals to approve the technology requested. Where there is a conflict between the board and the applicant, an appeals panel makes a final decision. Other states require only letters from rehab professionals or physicians certifying to the need - but not necessarily confirming the applicant's ability to use or understand the device or technology requested.

2. Credit Checks are made by all states except New York. States that guarantee loans made by commercial lending institutions also pay for the Bank's credit check - which they must make according to the Federal Reserve Act, but since the loan is guaranteed, banks routinely approve the application if the guarantor has

pre-approved the transaction, even though the applicant may fail to meet the bank's more restrictive credit criteria for personal or commercial loans.

### 3. Credit standards.

Credit standards for technology loans are not as restrictive as those required by commercial lending institutions. The applicant need only demonstrate the presence of a regular income with sufficient disposability to repay a loan, and a recent history of paying indebtedness even if those payments were sometimes late. Severe credit problems, however, will still require a co-signer or lead to rejection. Some loan programs provide credit counseling which is considered to be a necessity by an increasing number of loan program administrators. Collateral requirements are those acceptable to the bank.

### 3. Notification of Loan/Grant approval or disapproval.

After the preliminary data listed above is taken, analyzed and judged, the applicant is notified of the Lending Committee's decision. If the loan has been approved, both the applicant and the lending institution are notified and the bank or credit union then processes the loan routinely, incorporating any buy-downs or guarantees into the final agreement. If the loan has been rejected, most states offer an applicant an opportunity to appeal or to take advantage of free credit counseling usually offered by one or more non-profit agencies.

### 4. Duration of Loans

Routinely, loans are made for periods of three months to eight years, depending on the amount borrowed and the repayment schedule negotiated with the applicant by the Loan Authority and the bank.

### 5. Loan Payment.

Loans are repaid monthly to the lending institution in exactly the same way that commercial loans are handled. The bank provides the tech loan agency with a monthly report on the Status of Accounts.

### 6. Determining Payments - Options

The method of determining just how much the borrower will pay each month use the same formula: Disposable Income/total loan amount/useful lifetime of the chattel/mortality considerations, and the applicant's credit history usually determines the length of time the loan will be in effect. There is this difference, however, with Technology loans: the loan fund has the option of providing (1), a 100% guarantee of the loan principal, or, (2) reducing the principal or the interest by paying a portion of it from the fund which is called a "buy-down" in banking terms. In the latter option, the borrower then has less to pay overall which is reflected in reduced monthly payments. (See definitions, page 1.)

### 7. Defaults.

Tech Act Loan defaults are handled identically to routine commercial loans. That is, the defaulting creditor is notified for two, 30 day periods prior to foreclosure of the note and seizure of the chattel. (eg. the device purchased) There is this exception, however; The Loan Committee is notified after the first payment has been missed which will permit them to directly contact the

borrower in order to provide assistance in making the payment by restructuring the borrower's overall debt schedule, by locating a guarantor or, in some cases, persuading the bank to provide a temporary (60 day) moratorium on payments as long as the interest is remitted. The funds do not make payments for defaulted loans, however, although that is an option.

### Types of Loans and Guarantees.

Briefly, states offer the following services for Assistive Technology Loans

1. Guaranteed loans using standard commercial interest rates through banks and credit unions.
2. Loans with either a buy-down on the principal or the interest charged.
3. Variable rate loans - at prime or one or two points above - that

depend on the financial ability of the borrower to pay and take into account special conditions that may affect the borrower's ability to handle a regular loan. This type of loan is offered solely by the lending institution and almost always for substantial amounts (in excess of \$20,000.00) where the borrower has an excellent credit rating and a dependable income. Payments may begin at a lower rate and increase over a period of time or may remain the same with an agreed upon lump sum payable at a fixed date later in the loan cycle. This is called a "Balloon Payment" and assumes that the borrower's financial situation will improve over time. Normal in large real estate loans but fairly rare in technology or similar loans. It is, however, an option which is available.

4. Loans to service providers are made but at less favorable rates than for individuals. Usually the interest rate is either at prime or two points above which is still better than that available to most banking customers..

5. Regular rate loans. Approximately 10% of the applications received by the Maine program qualified for a normal bank loan but the applicant needed assistance in making the application. Once that was accomplished, banks routinely approved the application. People tend to think that handicapped consumers are necessarily poor but that is not always the case. Alaska would do well to determine those applicants who can qualify for a normal bank loan before proceeding with a supported loan.

### Grants

Some states also make outright **grants** for the purchase of technology although the dollar amount is usually much less than a loan. Maine, for example, determined that approximately 12% of its applicants needed less than \$1,000.00 to purchase desired technology, but whose credit limit for a loan was less than the cost of the desired technology, or who had most of the needed cash on hand but lacked those last few dollars. In Virginia, grants are limited to \$500.00 on a one-time basis. (\$500.00 appears to be the universal choice for grants in Tech Act loan programs. (4 States))

Grants are also used to purchase specialized training in technology or to pay for an upgrade in technology. \$500.00 loans are not considered cost effective by many commercial lending institutions - all loans have fixed costs regardless of the amount - which provided an additional incentive for tech loan funds to make provision for a grant program.

Usually grants are made where it is determined that the amount will significantly assist the applicant in the acquisition of technology, not just help a little. Grants are the "last resort" for applicants seeking technology, not an interim step in the amassing of money toward its purchase. The grant must purchase a complete item or service, by itself or in conjunction with a loan or cash-on-hand

In those states where grants are included in the Technology Loan program, there is usually a history of personal grants for other purposes, such as special education, housing configuration, and skill training. For states with a limited amount of money in the fund, approximately 25% is earmarked for the grant program. Only Virginia split its initial \$50,000.00 loan fund down the middle, but their loan program is subject to annual state funding in addition to the ability to actively seek other funds from private sources. For those states with a one-time funding source - such as Alaska - a less generous grant formula may be appropriate.

## Forward

In 1991, the Division of Vocational Rehabilitation contracted with the Institute of Social and Economic Research at the University of Alaska, Anchorage, (ISER) to perform a statewide survey of Individuals with disabilities. People were asked what kinds of disabilities they experienced, the quality of services they had received which included how well they believed their needs had been met and any unmet needs that remained to be addressed. ISER estimated that there were almost 20,000 persons with disabilities in Alaska, only a small portion of which were known to state agencies.

Because a survey of this type is necessarily open-ended (data is supplied in narrative form by the respondent without cross controls assessing "real" versus perceived disabilities and associated needs) plus the extreme difficulty in reaching a representative population sample in each of the state's Judicial Districts, the statistical confidence level was slightly less than optimum in terms of the kinds of pure SPSS<sup>1</sup> formulas usually applied. Nevertheless, the body of data that was gathered explored new territories and was important in terms of what it revealed about the concentration and mix of persons with disabilities, many of whom had not been processed through the Vocational Rehabilitation system and/ or those whose needs were still partially or largely unmet. It is important to emphasize that the findings of that study were consistent with the accumulated perceptions and data already on hand within the Division.

Alaska's efforts were replicated by other states with Tech Act grants which revealed a number of very real needs, among which were the need for financial assistance in the purchase, rental, training, and customization of available technology.

This study attempts to predict the number of persons who would (1) be eligible for a Tech Act loan, and, (2) the kinds of technology that might be most in demand. In an ideal setting, a study of this magnitude would be backed by a substantial grant at least equal to that spent on the original survey. Since fiscal resources for all VR activities are limited, it has been necessary to utilize existing data which has been supplemented by one national survey conducted by the University of Montana in 1992-93 and historical and current data supplied by the Assistive Technology Unit in Anchorage. Some degree of control was possible by utilizing the Quarterly Cumulative Casework Report for 1992 and 1993 which is required by the Rehabilitation Services Administration of the U.S. Department of Education.

Clearly, the absolute accuracy of this projection can be called into question but we believe that it fairly represents the available data and best estimates of professionals continuously engaged in the provision of services to persons with disabilities.

<sup>1</sup> Statistical Program for the Social Sciences. The one used here was designed for MS-DOS (IBM) microcomputers with a number of enhancements.

## Principal Findings

Alaskans with disabilities are found throughout the state in virtually every town and village. Disability statistics for Alaska do not differ markedly from those published by other states and particularly those in the western U.S. where population distribution begins to approximate those found here.

Most people with disabilities in Alaska felt that they had received useful services in the course of their individual rehabilitation, although the maintenance of these services and the continued need for good medical care and a means to achieve better independence were also key factors in the 1991 survey.

Disabled Alaskans wanted to know more about the kinds of equipment and technology that was available and, especially, they needed to know what financial resources were available to pay for it. A review of the activities of DVR's Assistive Technology Section in September of 1993 demonstrated that this goal was being met. Other relevant statistics are appended with appropriate comments.

### What is "Technology"?

"Technology" means just about anything that can improve the quality of life for a person including off-the-shelf items such as canes and crutches as well as some of the more costly technology such as Augmentative Communication systems and computerized household and workplace controls. "High Tech" comprises only a part of the kinds of technology that people need to achieve independence; most of the things that people with disabilities find useful are not expensive and most of those surveyed felt that they had adequate access to these devices and services. But for those people with moderate to severe disabilities who could be served only with some of the more costly items, less than half were able to afford them and better than 70% said that they did not know about the latest development in technology that could help.

### Who pays and how much?

Paying for these items can be a frustrating experience for people who make too much money to be eligible for the federal money programs of Medicare or Medicaid but who cannot afford to buy the more costly items outright from their fixed incomes. This group - approximately 40% of those with incomes above the poverty line - could manage to qualify for the kinds of specialized loan programs 42 other states now have in place. These people "fall through the cracks" of Alaska's otherwise well designed comprehensive assistance system. With the necessary downsizing of state Medicaid and anticipated reductions in the overall budgets of DVR and Public Assistance, more persons will be displaced from the system.

### Loan Caps and Innovative Savings.

States with experience in Technology Loans have set a cap on maximum loan amounts based on the average cost of high-tech assistive devices. This cap is most often set at \$5,000.00. Banks and other lending institutions feel comfortable with this limit and are more willing to cooperate in implementing the program without requiring 100% default guarantees. By using the innovative talents of DVR personnel familiar with the most commonly requested devices, costs may be reduced even further by

packaging a device from off-the-shelf hardware and software rather than purchase the completed unit from a specialty manufacturer.

#### What kinds of Technology Is Most Requested?

In Alaska, people want to achieve some degree of Independent mobility. This can mean having a vehicle refitted with special controls which may also include a wheel chair lift as well as hand controls. This kind of retrofit can cost up to \$8,000.00 but the average cost is about \$2,200.00 to 3,000.00, well within the proposed loan cap.

Augmentative Communications Devices are second on the list. This term encompasses such things as simple hearing aids as well as complex artificial voice communicators for persons with a limited speaking and/or hearing ability or range of motion. Most of these devices cost from \$3,500.00 to \$4,500.00. Some of these devices will operate a wide range of equipment, including wheel chairs, computers and permit the user to open and close doors, enter a ramp into a vehicle or to get into and out of bed and bathtubs. These customized systems can approach \$20,000 to \$40,000 with accompanying hardware and specialized equipment. The Alaska Loan fund cannot meet these needs but there is a wide variety of professional assistance for persons in need of this kind of sophisticated technology whereas persons needing some of the less costly systems have found that their needs have lower priorities with such agencies and non profit corporations. Hence, the loan program as a reasonable answer.

Thirdly, there is a need to retrofit homes and apartments to accommodate disabled persons so that they can move around easily, reach kitchen cabinets, ranges, and refrigerators without needing help, and to use the bathroom on their own. These costs can range from \$40.00 (for hand rails in the bath) to over \$6,000.00 for a complete retrofit including customized appliances. The average, however, in Alaska is about \$3,000.00.

Based on the average costs of the kinds of technology mentioned in this report plus reports from Virginia, California, Maine, Vermont, and Minnesota, the \$5,000.00 loan limit will meet the needs of 90% of Alaskans currently believed to be eligible for and in need of technology to increase their individual independence. This is not a hard and fast figure, however, in most states and can be amended up or down depending upon the amount remaining in the loan fund or demonstrated need to alter the figure in the marketplace. Seldom are caps defined in the authorizing statute.

#### Where are the people located who want assistive technology?

The short answer is that people with disabilities are all over the state. Rural areas are a special concern for service providers and it is believed that loans can be serviced by both the Division itself and cooperating banks who enter into individual operating agreements with the Division. Both entities have either branches, offices, or contacts in a number of rural towns and villages.

The majority of disabled persons reside in the major communities in Alaska, as would be expected. Juneau, Anchorage, and Fairbanks serve as major centers of activity for persons with disabilities because these cities have the kinds of medical and support services that many of the more severely disabled need. But there is another group of disabled people who, though less severely handicapped, are still in need of

technology to make their lives more meaningful and even obtain employment. These are the people we find everywhere, but especially in rural Alaska. Given the present statistics available, It is estimated that rural Alaska has some 3,500 such people. This figure incorporates formal DVR and Dept. of Health and Social Services statistics as well as estimates based on past experiences in conducting similar surveys.

In the Railbelt and in southeast Alaska, there are approximately 3,500 persons who meet the loan eligibility criteria and there may be many more who will come forward once the availability of such a fund becomes generally known. An additional 800 persons reside in the Alaska's remote rural areas.

In 1992, the University of Montana conducted a survey of disabilities in rural areas in the western U.S., including Alaska. Their findings parallel those of our own I.S.E.R. in that over 90% of disabled persons reported that independence - including the opportunity to become employed - was a primary concern. This same group, however, reported that less than 50% of them had been able to afford or find the money for the kinds of technology and continuing training they needed to achieve these universally accepted goals.

Of this group, 20% reported that they had incomes that placed them well outside the boundaries of eligibility for Medicaid or other public assistance. This group is the primary market for Assistive Technology Loans in Alaska.

END

Appendix 1  
**Banks and Banking**

All Tech Act Loan programs utilize the banking industry as the primary means of providing loan services - at a minimum - to applicants for loans. Several loan programs rely in banks as the primary source of funds, reserving their own loan fund to defray interest, principal or both.

It is important, therefore, to understand how banks operate and the kinds of constraints this major industry feels have been imposed on it.

As the discussion states, "banks deal in money," and money is a commodity, just like Pork Bellies, Soybeans, or gold bullion. Commodities have to be paid for. If you buy a \$1,000.00 worth of Soybeans you have the beans in exchange for your money. If you borrow \$1,000.00 from a bank you pay interest for the use of that money because you have "bought" the money just as you have "bought" the Soybeans. There is nothing mysterious about paying for Soybeans but money is ubiquitous in peoples' lives while Soybeans are not.

## A Note On Banks and Banking

Banks deal in money. That is their expertise and principal reason for being. To understand the banking industry, one must recognize that banks do not make their profits from checking account charges, the sale of money orders, or Christmas Club accounts.

Banks must loan money to make a profit and remain solvent. A bank may have 50 million dollars in deposits, but not one cent of that money belongs to the bank. All of those little bank charges in personal checking accounts that so annoy the average customer are not a part of the profit generating activities of the bank. They are administrative charges that in many cases do not fully cover the costs engendered by the customer's movement of money in an individual account. It is only by loaning money and charging a fee for that service that banks earn income. It's that simple. Commercial, personal, real estate, and automobile loans account for the bulk of a bank's income producing activities. Credit cards are another source of income. And banks are always looking for other types of loans that can help them realize a profit.

All of the new laws and regulations that bankers uniformly lament date from 1989 when Congress attempted to correct what it saw as serious deficiencies in banking's commercial loan processes. With some 2,500 failed banks and Savings and Loan Institutions as costly examples of "greed unbound", Congress tightened up all around, making virtually all loan processes a difficult and tortuous procedure. The bill to the taxpayer for balling out some 15 million small and medium account holders will total 330 billion dollars as of 1993. If, as claimed, Congress over-corrected, it thought it had good reason at the time. Many of these measures are in the process of revision.

Some highlights of the newer laws and regulations affecting all lending institutions:

(1) Financial Institutions Reform and Enforcement Act of 1989 (FIRREA)

- + Banks must revise existing appraisal practices to meet federal guidelines that promote consistency.
- + Requires Federal Regulators to make public all enforcement actions taken against banks.
- + Grants exceptional powers to Federal Regulators to suspend or remove bank directors and officers.
- + Increases civil penalties for some violations to as much as \$1,000,000.00 per day.

(2) Federal Deposit Insurance Corporation Improvement Act of 1991

- + Requires annual audits of all records and annual management reports.
- + Requires banks to show the current market value of all assets, loans, and obligations.
- + Increased the amount of reserved capital for weaker banks and amended the formula that determines the reserves all banks must have.
- + Severely limits loans to bank directors, officers, and employees and requires an annual report of all loans granted.
- + Increases FDIC insurance premiums for all banks and lending institutions.

(3) Truth In Savings Act of 1991

- + Requires banks to standardize interest rates for savings accounts and to notify customers of interest rates and fees.
- + Requires banks to use a uniform type size in its ads when footnoting interest rates or listing exceptions to any advertised service.

(4) Home Mortgage Disclosure Act, Amendments of 1989

- + Requires banks to report more fully on mortgage activities, including the ethnic background of applicants and borrowers, lenders decision on the loan and the amount borrowed or requested.

These and other regulations are the cause of the banking industry's distress and current lobbying efforts to permit them to act with more independence and get out from under the avalanche of paperwork. - about two pounds a month. Banks have stated that if they had the option, they could pump some four hundred billion dollars of pension fund money into the investment economy which, they feel, would more than meet the venture capital needs of American industry for years to come.

Banks were not wholly blameless in this matter. During the "Commercial Fever" of the 1980's, many banks downplayed consumer and small business loans almost to the point of no return. Large, multi-bank loans to fund leveraged buy-outs of national and international companies - RJR Nabisco being the best known - earned these institutions exceptionally large interest payments and the temptation to back even bigger loans for even bigger profits was hard to resist. For example, personal bank accounts were discouraged by a few banks, some of whom tried to eliminate this traditional phase of banking altogether. After the great Savings and Loan crash, a lot of regulations and laws came into being to correct at least the most visible problems. At this juncture, banks are strongly encouraged to invest in their local communities, keep close tabs on the kinds of loans they make and to which ethnic, cultural or racial group, and, in general, make a visible and realistic effort to serve persons deemed underserved by the Federal Reserve.

Banks claim that they would do these things without federal mandates and point to an overall record of increased local community involvement. The excesses of a few banks and S & L's ought not be used to penalize and hamstring the vast majority of lending institutions that remained above the feeding frenzy that characterized some aspects of 80's financial excesses.

Enter the Technology Loan Program.

Lending institutions, therefore, are actively seeking new and better ways to serve their local communities within the constraints of good business practices. But banks are routinely and justifiably cautious about involving themselves in investment areas foreign to their usual areas of competence. Special Education, Accessible Housing, and the Technology program proposed here may well prove to be an untapped vein of reliable profits, but there is no track record to date. One of the goals of the Tech Act loan program is to demonstrate that loans to consumers and service providers will be a profitable and reliable means of enhancing the bank's bottom line. That will take time and, initially, require some safeguards in order to attract and secure the banking institution's interest and cooperation.

Amended Funds to Include ADA Requirements.

Some states amended existing funds to include Assistive Technology for the Disabled as a means of complying with the American with Disabilities Act. Minnesota has been mentioned in the Housing area. Others have added technology to standard education loans and three emphasize supported or competitive employment opportunities through the purchase of technology. Tech Act money is not involved.

Default Rates:

As of the date of publication of this study, default rates average 4.2%, not counting New York which has a default rate of 15%. (This is because New York does not run a credit check on its applicants. This amazing aspect of their loan program is in the process of substantial revision.) New York's statistics were omitted from overall computations.

Loan Applications - contents

Most Technology Loan Funds issue their own loan applications. These are similar - and in some cases, identical, to the standard small loan application issued by banks and credit unions, but contain additional questions concerning the kind of technology for which the loan is intended and how much the applicant knows about the device(s). Some applications plainly state that the applicant will need to demonstrate not only proficiency in the use of the requested device, but must supply a supplemental letter or letters of approval from a rehabilitation agency, employer, or physician. States which emphasize consumer knowledge of technology state that they have had a long history of purchasing devices that (1) were not used after purchase, (2) were returned because of a misunderstanding about its uses or because they were disappointed in the results, and, (3) were unable to obtain training, servicing, or upgrades after purchase. Sample application appended.

## Notes on Loan Forms and Qualification Process

1. Included in this portion of the Appendix are two loan applications. One is a regular commercial bank's standard application (reduced)

The other is one designed for disabled applicants and requires more details on the specific kind of technology the consumer wants to buy with the proceeds from the loan.

2. All of the Tech Act loan programs found that it was necessary to pre-qualify the applicant in his or her choice of the item desired because all too often the desire was based on hearsay or from a TV program or word of mouth.

3. The most successful loan programs are in states with extensive "Lending Libraries" of equipment which permitted the applicant to try out the requested device before committing to a lengthy repayment process. The default rate dropped dramatically.

# Association for Cerebral Palsy

*Serving people with disabilities*

73 Main Street, Room 402  
Montpelier, VT 05602  
802-223-5161

Executive Director  
Lee Viets

## EQUIPMENT FOR INDEPENDENCE APPLICATION

Any Vermont resident with a disability is eligible to apply for a loan to assist with the purchase of adaptive equipment. This application form can be used to apply for a no-interest loan of up to \$1000, or a low-interest loan of up to \$5000. If you are requesting a loan of more than \$1000, an additional credit review will be necessary.

Depending on your level of financial need and the cost of the equipment, you may also be eligible for a small direct grant when other funds are not available. The loan fund coordinator will review this option with you.

1. Name: \_\_\_\_\_ Date of Birth: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Phone (home): \_\_\_\_\_ Phone (work): \_\_\_\_\_

Social Security Number: \_\_\_\_\_

Primary Disability: \_\_\_\_\_

Secondary Disabilities (if any): \_\_\_\_\_  
\_\_\_\_\_

PLEASE INCLUDE DOCUMENTATION OF YOUR DISABILITY. This can be a physician's letter, eligibility for Vocational Rehabilitation, special education, Supplemental Security Income (SSI), or Social Security disability insurance (SSDI), or other information. You are not required to have a medical examination for this purpose.

2. If you are completing this application for someone else, please give the following information:

Name: \_\_\_\_\_ Position/Title: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

Phone (work): \_\_\_\_\_ Phone (home): \_\_\_\_\_

If you are completing this application for your minor/dependent child, please give the following information about yourself:

Check one:  Parent  Guardian

Date of Birth: \_\_\_\_\_ Social Security #: \_\_\_\_\_

If you are requesting a loan of more than \$1000 for your minor/dependent child, please give the following information about your spouse, if applicable:

Name: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Social Security #: \_\_\_\_\_

3. Please list and describe equipment for which funding is requested. Attach descriptive materials such as brochures, clippings, or written estimates.

Equipment: \_\_\_\_\_

Specifications: \_\_\_\_\_

Any modifications needed? (Describe): \_\_\_\_\_

Will training be needed? \_\_\_\_\_ Who will provide it? \_\_\_\_\_

Place of Purchase: \_\_\_\_\_

Have you had an opportunity to try out this equipment? \_\_\_\_\_

4. Briefly describe how this equipment meets a disability-related need:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. What is the total cost of the equipment? \_\_\_\_\_

6. Amount of loan requested: \_\_\_\_\_

If your application for a loan is approved, what monthly payment would be convenient for you? \$ \_\_\_\_\_ per month.

7. Who has recommended or prescribed this equipment? If the applicant is under age 22, you must attach a brief statement from the person named below that describes the need and proposed benefits of the equipment.

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Position: \_\_\_\_\_ Telephone: \_\_\_\_\_

8. Are you a Vocational Rehabilitation client? \_\_\_\_\_

If YES, who is your VR Counselor? \_\_\_\_\_

If NO, have you applied to VR or are you interested in applying? \_\_\_\_\_

9. Do you have private health insurance? \_\_\_\_\_

Do you have Medicaid health insurance? \_\_\_\_\_

Do you have Medicare health insurance? \_\_\_\_\_

We need to know what other organizations you have approached for funding to buy this equipment. Please list any funding you have obtained or any denials you have received. Include copies of all letters of denial.

Source	Amount Approved	Denial Received
_____	_____	_____
_____	_____	_____
_____	_____	_____

11. How long have you lived at your present address? \_\_\_\_\_

If less than 2 years, what was your previous address? \_\_\_\_\_

Check one:  Rent  Own

Place of Employment: \_\_\_\_\_

Position: \_\_\_\_\_

How long have you worked there? \_\_\_\_\_

2 Personal Income and Expenses

Current Monthly Income

Self income (take-home pay) \$ \_\_\_\_\_  
House income (take-home pay) \$ \_\_\_\_\_  
All dividends \$ \_\_\_\_\_  
Rent receipts \$ \_\_\_\_\_  
Social Security \$ \_\_\_\_\_  
Supplemental Security Income (SSI) \$ \_\_\_\_\_  
Social Security disability insurance (SSDI) \$ \_\_\_\_\_  
Welfare benefits \$ \_\_\_\_\_  
Unemployment Insurance \$ \_\_\_\_\_  
Child support \$ \_\_\_\_\_  
Miscellaneous income \$ \_\_\_\_\_  
TOTAL INCOME \$ \_\_\_\_\_

Current Monthly Expenses

Car payment \$ \_\_\_\_\_  
Home/rent payment \$ \_\_\_\_\_  
Loan payments \$ \_\_\_\_\_  
Monthly food bill \$ \_\_\_\_\_  
Mo. heating bill \$ \_\_\_\_\_  
Mo. electric bill \$ \_\_\_\_\_  
Mo. telephone bill \$ \_\_\_\_\_  
Mo. insurance bill \$ \_\_\_\_\_  
Mo. child support payments \$ \_\_\_\_\_  
Mo. prescriptions \$ \_\_\_\_\_  
Miscellaneous expenses \$ \_\_\_\_\_  
TOTAL EXPENSES \$ \_\_\_\_\_

Personal Assets

Checking Account Balance: \$ \_\_\_\_\_ Name of Bank: \_\_\_\_\_

Savings Account Balance: \$ \_\_\_\_\_ Name of Bank: \_\_\_\_\_

Other Assets: \_\_\_\_\_

Personal Liabilities (Loans and Debts Outstanding)

Car Creditor: \_\_\_\_\_ Balance: \$ \_\_\_\_\_

Mortgage Creditor: \_\_\_\_\_ Balance: \$ \_\_\_\_\_

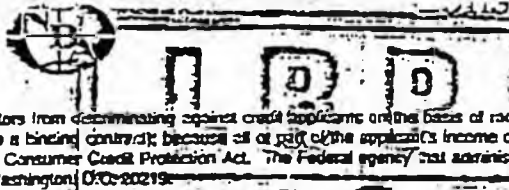
Education Creditor: \_\_\_\_\_ Balance: \$ \_\_\_\_\_

Other Creditor: \_\_\_\_\_ Balance: \$ \_\_\_\_\_

Miscellaneous Debts (List all outstanding miscellaneous debts over \$500)

Creditor: \_\_\_\_\_ Balance: \$ \_\_\_\_\_

Creditor: \_\_\_\_\_ Balance: \$ \_\_\_\_\_



The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin or sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law concerning this creditor is the Comptroller of the Currency, Consumer Affairs Division, Washington, D.C. 20219.

UNIT REQUESTED \_\_\_\_\_ REQUESTED TERM \_\_\_\_\_ PURPOSE OF LOAN: \_\_\_\_\_ DESIRED MONTHLY PAYMENT \_\_\_\_\_

IF APPLICATION IS FOR INDIVIDUAL UNSECURED CREDIT DO NOT COMPLETE THIS SECTION:  Separated  Married  Unmarried

SECURITY OFFERED: \_\_\_\_\_

APPLICANT				CO-APPLICANT							
FIRST NAME	INITIAL	LAST NAME		FIRST NAME	INITIAL	LAST NAME					
MAILING ADDRESS			APT.#	TIME AT ADDRESS		MAILING ADDRESS					
CITY			STATE	ZIP CODE		CITY					
RESIDENCE ADDRESS				RESIDENCE ADDRESS							
FORMER ADDRESS			APT.#	TIME AT ADDRESS		FORMER ADDRESS					
CITY			STATE	ZIP CODE		CITY					
SOCIAL SECURITY #		DATE OF BIRTH		# OF DEPENDENTS INCLUDING SELF		SOCIAL SECURITY #		DATE OF BIRTH			
HOME PHONE #		DRIVERS LICENSE #		HOME PHONE #		DRIVERS LICENSE #		OTHER NAMES UNDER WHICH YOU HAVE BEEN GRANTED CREDIT			
NAME/ADDRESS OF NEAREST RELATIVE NOT LIVING WITH YOU			RELATIONSHIP			NAME/ADDRESS OF NEAREST RELATIVE NOT LIVING WITH YOU			RELATIONSHIP		

If self-employed or seasonally employed, attach income tax return for past 2 years.

CURRENT EMPLOYER				CURRENT EMPLOYER							
ADDRESS			TELEPHONE #			ADDRESS			TELEPHONE #		
HOW LONG	ROTATION DATE	ETS	MONTHLY GROSS SALARY	HOW LONG	ROTATION DATE	ETS	MONTHLY GROSS SALARY				
YRS	MO		\$	YRS	MO		\$				
FORMER EMPLOYER & POSITION				FORMER EMPLOYER & POSITION							
HOW LONG				HOW LONG							
YRS				YRS							

Please check box A if your information is joint (you and co-applicant). Check box B if the information is in your name only or box C if the information is in your co-applicant's name only. Be sure to list all open accounts with or without a balance. Attach a separate sheet if necessary. Sources of additional income (stocks, real estate, retirement, etc.) income received from child support, alimony, or maintenance is optional information furnished only if you desire this income to be considered in evaluating your application.

SOURCE OF OTHER INCOME: \$ \_\_\_\_\_ per \_\_\_\_\_  
 \$ \_\_\_\_\_ per \_\_\_\_\_

BANK NAME & LOCATION	ACCOUNT #	TYPE	BALANCE

STOCKS / BONDS			

PRIMARY RESIDENCE	YEAR BOUGHT	COST	CURRENT VALUE	CURRENT OWING	MONTHLY INCOME	MONTHLY PMT.
		\$	\$	\$	\$	\$
OTHER						

If you answer yes to any of these questions, explain in adjacent comment section.

Are you a defendant in a legal action or suit?  Yes  No  
 Are you a guarantor or co-signer?  Yes  No  
 Have you ever declared bankruptcy?  Yes  No

Comments: \_\_\_\_\_  
 PLEASE CHECK A B C

ASSETS (OWNED)			CURRENT VALUE	LIABILITIES (OWED)		BALANCE OWING	MONTHLY PAYMENTS
CASH IN BANKS (SCHEDULE 1)			\$	MORTGAGE LOANS (SCHEDULE 2) RENT OR LOT RENT		\$	\$
STOCKS/BONDS (SCHEDULE 1)				AUTO LOAN(S)			
REAL ESTATE OWNED (SCHEDULE 2)				AUTO LOAN(S)			
AUTOMOBILE	YEAR	MAKE		OTHER BANK LOANS			
AUTOMOBILE	YEAR	MAKE		OTHER BANK LOANS			
PERSONAL PROPERTY				CREDIT CARDS (LIST SEPARATELY)			
BOAT (DESCRIBE)				CREDIT CARDS (LIST SEPARATELY)			
CASH VALUE LIFE INSURANCE				CHILD SUPPORT			
CASH VALUE RETIREMENT PLAN				OTHER DEBTS (LIST SEPARATELY)			
OTHER ASSETS (DESCRIBE)							

CASH VALUE RETIREMENT PLAN		CHILD SUPPORT	
OTHER ASSETS (DESCRIBE)		OTHER DEBTS (LIST SEPERATELY)	
<b>TOTAL ASSETS OWNED</b>		<b>\$</b>	<b>TOTAL BALANCES OWED</b>
		<b>\$</b>	<b>\$</b>

MONTHLY PAYMENTS:

RENT EXPENSES \$	MEDICAL EXPENSES \$	AUTO EXPENSES \$
	FOOD ALLOWANCE \$	CHILD CARE EXPENSES \$

REMARKS:

Everything that I have stated in the application is correct to the best of my knowledge. I understand that you will retain this application whether or not it is approved. You are authorized to check my credit and employment history and to ask questions about their credit experience with me. You may disclose to any other interested parties your factual experience with my (our) accounts. I am 18 years of age or older.

SIGNATURE \_\_\_\_\_ DATE \_\_\_\_\_ SIGNATURE\* \_\_\_\_\_ DATE \_\_\_\_\_

\*Co-Borrower other than spouse may require separate financial information.

PURPOSE

The assistive technology loan fund is intended to provide an alternative funding source for persons with disabilities in the acquisition of assistive technology. The loan fund is structured to be self sustaining and provide rates and terms more flexible than traditionally offered by commercial banks. The opportunity to establish or enhance a positive credit history will be an outcome to participants of the loan fund.

ELIGIBILITY

Any Virginian with a disability or their representative is eligible to apply for loan funding provided he/she can demonstrate that the funding will be used to purchase assistive technology and that this assistive technology will be used to improve that individual's quality of life, independence, or ability to function productively.

Assistive technology is a device, piece of equipment or product, whether commercially off the shelf, modified or customized that is used to increase, maintain or improve functional capabilities of individuals with disabilities.

CONSUMER FOCUS

These models represent a funding program that will make loans exclusively to consumers, rather than organizations or businesses. Projections indicate that meeting individual consumers needs will require extensive fund-raising which must be resolved before opening the fund up to other applicants.

REVOLVING LOAN

Because the goals of this program make it desirable to have flexibility over the loan terms on a case-by-case basis, a revolving loan structure is preferable to one that guarantees loans. A loan guarantee program would work through a commercial bank, which means that loans would be made at commercial interest rates unless bought down by the program. There would also be the risk of the bank discontinuing involvement, which has occurred with other programs.

A revolving loan fund gives the program complete control over the application process, the loan terms, and the handling of missed payments and default. In addition, structural barriers that might prevent applicants with disabilities from going through a commercial loan application process can be avoided.

LOAN TERMS

Loans may be made up to the amount of \$5,000. This amount will provide for the purchase of many devices such as van lifts, communication and hearing equipment, less expensive electric wheelchairs, etc. An initial cap of \$5,000 per loan will ensure the solvency of the fund and can be increased in the future. The interest rate on the loan can range from a maximum of the prime rate at the time

of loan approval to a minimum of 2% below prime rate. The length of the loan can range from 3 months to 8 years. Because setting income requirements would contradict the flexibility needs of the program, two general financial guidelines should be used to determine financial eligibility:

- The applicant must demonstrate ability to repay
- The applicant should generally not be eligible for commercial loan funding

There is also a need within the disabled population for those with very low incomes, particularly those living primarily on government subsidies, to be able to obtain small loans at generous terms. "Mini-loans" will be made available to meet this need. Applicant will have to have a yearly income not in excess of \$10,000, and discretionary income not to exceed \$80 per month, in order to be eligible for this loan. Loans can be made up to the amount of \$500. Interest rates on the loans can range from 1-3%, and the length of the loan can not exceed 3 years. The terms of the mini-loan will be arranged such that the monthly payment will not be less than \$8 and will not exceed \$20. A separate mechanism for mini loan fund development has been recommended to maintain the larger funds credibility to potential fundraisers. This will be discussed in a later section.

In recommending the terms of a specific loan, the loan processor will determine:

- The monthly payment that can reasonably be expected of the applicant
- If this monthly payment can be arranged with an interest rate and loan length that falls within program guidelines
- If the loan is reasonably secure due to the financial position of the applicant, the offering of collateral, or the use of a cosigner
- the amount of other contributing funding sources towards this purchase, allowing for blended funding where appropriate
- If the applicant would most likely be eligible for traditional commercial loan funding, and therefore may not be appropriate for funding through this program

One additional consideration for both the loan processor and the board that grants final approval should be the "life expectancy" of the assistive technology that will eventually be purchased with the loan funds. In most cases, the loan terms should provide for repayment during the useful life of the AT. If the applicant would not be able to meet the monthly payments without extending the length of the loan beyond the useful life of the AT, then loan terms can still be made accordingly, provided the board feels that such a loan is still a beneficial use of funds and that default risk is low.

## APPLICATION PROCESS

### Information Distribution

Part of the process of establishing this program will be a publicity campaign that distributes information about the program through public interest group newsletters, target mailings, and pamphlet distribution to facilities that serve individuals with disabilities on a local and regional level. This targeted publicity will be more cost effective than mass-media efforts. Press releases to local newspapers will also be made. The information distributed through these efforts

will refer potential applicants to their nearest Assistive Technology Resource Center, Center for Independent Living, or other point of contact for additional information and an application.

**-Assistive Technology Resource Centers (ATRC'S) and Centers For Independent Living (CILS)**

Support at the regional or local level could be provided by the four Assistive Technology Resource Centers (ATRC's) and the Centers for Independent Living (CILS) of which there are currently ten in Virginia. These consumer support centers could potentially serve several functions in the program, including:

- Fielding questions about the programs, so the central office will not be tied up with calls
- Mailing applications to prospective applicants
- Assisting applicants who need help filling out the application, ranging from phone contacts to in-person counseling sessions
- Helping the applicant determining what AT would be most beneficial and appropriate to his/her disability
- Pre-screening applications to make sure that all necessary information and verification is provided, which would speed the application process by reducing the need for repeated contacts with applicants to acquire additional information
- Determining the initial eligibility of the application as to whether or not the loan would be used to purchase AT for a person(s) with a disability, and that the AT is appropriate to the individual's disability
- Forwarding the applications, along with a summary sheet verifying the applicant's eligibility as described above, to be processed

The ATRC's and CILS appear best suited to provide these functions to the program. They serve a good portion of the state and they already provide most of the services necessary to assist applicants with this program. This program will also help the CILS fulfill part of their independent living and advocacy goals. Title 7, Part A monies received by the CILS from the Department of Rehabilitative Services should be considered prior to directing consumers to the loan fund.

The primarily administrative functions should be careful not to place too much of an additional burden on the ATRC's and CILS. The face-to-face sessions during which staff will help applicants with their application may create a staffing and resource burden that may need to be offset financially, otherwise extensive waiting lists will become a barrier in the application process.

The need still exists to provide readily accessible consumer loan fund application support to some of the less accessible localities of the Commonwealth. Perhaps the most effective way to fill in the gaps would be to identify contacts in the underserved areas such as the Department of Rehabilitative Services offices or Health Care Centers that provide similar support services to persons with disabilities. The ATRC's and CILS could then refer applicants in need of personal

contact and assistance to these alternative resources. For the purpose of this model, the ATRC's and CILS will be referred to as the entities fulfilling this function as an example of how this part of the program might work.

It is important that the ATRC's and CILS involvement in the process end with the forwarding of the application, otherwise they will be held responsible to the applicant throughout the processing of the application, over which they have no control. The applicant should make and receive all further communication with the central administrator of the program.

#### **-Application Form**

A potential application form is attached in Appendix B. The form requests the following information:

- Personal information, description of disability
- Description of desired AT
- Statement of expected benefit from acquisition of AT
- Specific loan request
- Description of other funding avenues sought
- Financial information: monthly income and expenses, assets and liabilities, employment history

Verification of sources of income, the cost of the AT, and the value of any collateral will be included with the completed application. Verification should take the form of tax returns, xeroxed checks (social security checks, etc.), appraisals, and brochures and quotes on the AT.

A cover letter will need to be developed to be included with the application form that outlines the program and describes what forms of verification need to be submitted with the application. A statement to be signed by the applicant, testifying to the truth of the information on the application, should also be added to the application form.

#### **-Application Fee**

A application fee of \$5 will be required to submit an application for consideration. This amount will off-set some of the costs of processing the application (credit report, postage, etc.), therefore eliminating part of the cost burden of the program, but is nominal enough that it not act as a barrier to potential applicants.

### **MODELS FOR PROGRAM ADMINISTRATION**

#### **General Loan Commonalities**

##### **Board**

The loan fund decision-making body previously mentioned across all models will be a 7-member independent, volunteer board which will meet once a month to approve loan applications, rule on loan defaults, and make any other decisions necessary to continue or improve the loan program. The board will consist of 4 at-large members with disabilities, a public accountant, a loan officer, and a designee of VATS or DRS.

At least 4 members must be present to have a quorum. A majority vote of those present can approve a loan or rule on a default. A 2/3's vote of those present can waive a program guideline, such as extending the length of the loan beyond the maximum, for an individual application. A 2/3's vote of the entire board is required to permanently alter a program guideline.

When deciding on loan approval, the board should take into consideration:

- Recommendations made by the ATRC's/CILS staff
- Recommendations of the loan processor
- The applicant's statement of expected benefit from the desired AT
- The extent to which the applicant has investigated other avenues of funding
- In general, whether or not the loan is a beneficial use of loan funds that helps the program meet its human service objectives and does not endanger the integrity of the loan fund (meaning it does not present a high default risk)

The extent to which other avenues of funding have been sought should only be taking into account as a mitigating circumstance along with the other central considerations, instead of acting as a primary barrier to receiving loan funding. This fund is not intended to act only as a payor of last resort.

The members of the board will serve 3-year renewable terms. The terms of some of the members of the initial board should be lengthened in order to established staggered terms. The board members will be acting as volunteers, but should be reimbursed for expenses they incur in attending board meetings.

#### **Oversight Body**

Concerns have been expressed that administrative and policy responsibilities should be separated from ongoing loan board approval/denial review activities. A recommendation has been made to have a small three or four person oversight body responsible for policy development and interpretation, appeal contact points, and other associated administrative activities. These, like the board positions would be voluntary in nature and would meet quarterly, semi-annually or as the need requires. The concern is that funds approval and spending be separated from policy and administrative activities.

#### **Commercial Bank/State Treasury Department**

In each of the models program will make use of a commercial bank or the State Treasury for the investment of the loan fund. A commercial bank account will allow the program the liquidity it needs to sustain the flow of payments to and from the loan fund. In exchange for making such a sizable deposit, a bank may be willing to assist the program with some accounting and/or administrative services. Either entity may provide an accountant to sit on the board. In model B, the finance agency will be in charge of maintaining the loan fund, for which it might use its own resources, a commercial bank, or the Department of the Treasury.

#### **Staff Support**

It is anticipated that one full time staff person will need to be designated within the administrative component of each model to coordinate outreach and loan processing activities between all parties. Many of the related duties within

the financial components can be contracted. As loan volume increases, staff support may increase as well particularly in the clerical functions to ensure loan application preparation for review by the loan fund board.

#### **Credit-Reporting Agency**

In Model B, the state agency or department processing the applications will presumably already have the facilities to run credit checks. In models A and C, the central entity will join a credit bureau in order to purchase credit reports on incoming applications. The program may elect to not require credit checks on the mini-loans. Since the applicants in this income bracket would most likely either have no credit history or a poor one, and with the amount of the loan being small, a credit check would not have much bearing on loan approval. If credit checks were not required for these loans, the registration fee could be waived or credited towards their loan repayment.

#### **Collection Agency**

Default is the most difficult aspect of a program of this nature. The incidence of default can be diminished by limiting the number of risky loans that are approved, but it will not be eliminated. In the event that a borrower has an unforeseen change in income or expenses that precludes meeting monthly payments, the loan can be restructured, payments can be deferred for a set period of time, or, in extreme cases, the loan can be written off. All of these changes must be approved by the board. When a borrower is simply delinquent on a payment for an extended period of time, then the board will probably decide to call the loan up and might consider referring the loan to a collection agency. This decision will have to be made with the understanding that the collection agency will probably work for a percentage of recovered funds, and therefore will be very aggressive in its attempts to recover the loan funds. Defaults may be minimized due to the length of the loan terms making payments far more reasonable for the average borrower.

#### **Mini-Loans**

Mini-loans are intended to be low interest (1 -3%) loans for individuals requesting under \$500. Due to the special nature of these loans, it has been recommended that contributions from service organizations be solicited specifically for this mini-loan distribution. Those organizations would have the opportunity to "sponsor" individuals with their contributions. Early application approval would be allowed for these loans and this is discussed later in this document. This approach would allow for expedient small loan approvals without jeopardizing the larger loans solvency.

### **MODEL A:**

#### **Private Administration**

The ATRC's and CILS will forward completed applications to a central coordinating entity. This entity will be a private organization, such as a bank or savings institution. This institution will mainly act as a facilitator of day-to-day operations of the program, but will also hold ultimate responsibility for the program.

The institution will notify the applicant that his/her application has been received, pull a credit report on the applicant, and forward the report along with the application to one of the volunteer loan officers (discussed below), who will

review the application and return it along with a recommendation for loan terms and loan approval. At the monthly board meetings, the coordinator will present the loan applications and recommendations for approval. If the loan is denied, the coordinator will send the applicant a letter explaining the reasons for denial and detailing the process for appeal. If the loan is approved, the coordinator will mail a loan agreement to the borrower, and upon receipt of the signed agreement from the borrower, issue a 3-party check(s) in the name of the borrower and the appropriate vendor or manufacturer.

At the time that the check is issued, the data-processing service contracted by the program (discussed below), will issue the borrower a coupon book with which to monitor his/her repayment. The institution will receive monthly reports on the repayment status of borrowers from the data-processing service. In the event of default, the institution will take requests for deferrals, restructuring, and loan forgiveness to the board. When other options are exhausted, the institution, with board approval, will refer the case to a collection agency and keep files on any collateral that is used to secure the loan.

#### **Volunteer Loan Officers**

While it is not plausible to expect a commercial bank to volunteer to process the loan applications, it is possible that a number of individual loan officers would volunteer several hours a month to review applications on their own time and make recommendations to the board. This would require the commitment of 7-10 loan officers from across the state, although a few should be in Richmond to process the applications received closest to the day of the board meeting. The applications packets would be mailed in groups of 5-10 to the volunteer, who would review them and mail them back with his/her recommendation. This should require a commitment of only 3-5 hours per month on the part of the loan officer.

#### **Data-Processing Service**

Rather than committing staff time and resources to monitoring the repayment process, it is more efficient and less costly to contract with a data-processing service. The data-processing service will issue coupon books to the borrower. These coupon books will have a stub for the borrower to tear out every month and send in with the payment. The service will receive the monthly payments, make the deposit, and keep track of each borrower's repayment record. The service will send out letters of notification for late payments and notify the coordinator of delinquent payments. In addition, the service will provide general accounting services and financial statements to the program. The service can also send annual reports to borrowers detailing the status of their loan. The service will also provide the coordinator the ability to call up any borrower's repayment status at the central coordinator's office, so that the coordinator can field questions from borrowers without contacting the service.

#### **MODEL B:**

##### **State Administration**

This model would place the program almost entirely under state control. Two state agencies or departments, one human-service oriented and the other financial, will divide the administrative and operative burden between themselves. The finance agency should already have the resources to administer loans. The

human services agency should be involved in the support of individuals with disabilities.

The ATRC's / CILS will forward applications to the human services agency or department, which will send notification of receipt to the applicants, and forward them in groups to the finance agency. There they will be processed, including credit checks, and a recommendation will be made.

The human services agency will present applications at the board meetings. If the loan is denied, the human services agency will send a letter of explanation to the applicant. If the loan is approved, the finance agency will be in charge of closing the loan agreement, issuing the check and coupon book, keeping records of collateral, monitoring the repayment process, and sending annual statements to the borrower. In the case of late payments, the finance agency will issue notification letters to the delinquent borrowers and notify the human services agency.

The human services agency will handle requests for loan deferral, restructuring, or forgiveness, according to the instructions of the board. In the event that the loan is called up, this could be handled by either the finance agency or referred to a collection agency.

The finance agency would also be in charge of investing and administering the loan fund, or this function could possibly be handled through the Department of the Treasury.

#### **Models A & B:**

##### **Additional Functions**

The coordinator and human services agency would both serve additional support functions to the program, including:

- Spearheading publicity and information distribution efforts for the program
- Keeping data files on applications, loans approved and denied
- Coordinating with the ATRC/CILS and any other agencies involved in regional or local support
- Committing board members and planning monthly board meetings
- Administering an expense fund for the program, subject to board approval
- Acting as the central contact to provide information and answer the questions of applicants and borrowers
- Bearing ultimate responsibility for the continuation of the program

#### **Model C:**

##### **Non-Profit Administration**

In this model, a single existing or newly established non-profit corporation would carry out the majority of program operations. A single coordinating staff person with support staff could provide the foundation from which the program could expand. A non-profit corporation that already provides services to persons with disabilities, could provide existing office space and staff support to the program, therefore reducing overhead costs.

The non-profit organization will receive the application from the ATRC's/CILS and complete all the processing steps necessary to make a recommendation to the board: notify the applicant, pull a credit report, process the application, organize the monthly board meeting. If the loan is approved by the board, the employee also handles all follow-up procedures: closing the loan, issuing the check(s) and coupon book, receiving and monitoring repayment. This office would also handle most of the other support functions of the program, such as coordinating with the ATRC's/CILS, keeping data files, and fielding questions from applicants and borrowers. In the event that a loan goes into default, and no alternative to calling the loan up can be arranged, the loan can be referred to a collection agency.

The non-profit staff will need to have both administrative skills and some experience in loan financing. As the demands of the program increase, specifically identified clerical support will become increasingly necessary.

#### Discussion of Models

##### MODEL A-

###### Pros:

- Program is largely under private control, therefore not competing with other state programs
- The use of volunteer loan officers and a data-processing service reduces the need for staff and facilities to perform these functions

###### Cons:

- The operational structure is very dispersed, good communication would be essential
- The program would have to rely on volunteers to meet deadlines and do quality work without pay

##### MODEL B-

###### Pros:

- If the state funds the program or the state entities absorb costs into their own budget, the operational costs coming out of the program budget would be reduced
- The program would largely make use of existing structures rather than creating new ones

###### Cons:

- The program would be under state control and would compete with other state programs
- The program is likely to be bureaucratic under state control

## Model C-

### Pros:

- Almost all operations would be handled at one central point, reducing the bureaucracy and expediting the entire process
- Less bureaucracy would make the program more adaptable

### Cons:

- More overhead costs are involved, including the hiring of staff
- This program foregoes the expertise utilized in other models that make use of specialized entities

## Other Operational Procedures

### Early Approval

In order to speed the application process, some loans can be closed without board approval. In these instances, once primary eligibility has been determined by the ATRC/CILS, and the loan processor recommends that the loan funds be granted, the loan can then be automatically approved, provided that:

- The amount requested is less than \$1,000
- Eligibility is clear
- The applicant's financial information is well verified
- The applicant's sources of income and general financial position are stable
- There are no controversial issues regarding the application

Records will be kept of early approval loans and reviewed by the board, so that they can monitor and evaluate this process.

### Appeal

An avenue of appeal will be made available to applicants who are denied loan funding. An individual (Loan Coordinator or Board member) will be designated to receive requests for appeal. The denied applicant can send a letter to that identified party within 30 days of receiving notification that the loan is denied, that explains what aspect they feel was not properly considered by the board. The appeal contact person will request that the application file be brought to the next board meeting for reconsideration along with the letter. If the appellant desires, he/she may appear in person to state his/her case for appeal. The letter that notifies the applicant that the loan was denied will detail this course of appeal and give the address of the designated contact person for appeals.

Denied applicants can only re-apply with a new application when a change has occurred that would significantly alter their application.

### Default Time-Table

There will be a default time-table for loans that go beyond specified time frames for payment. This may be determined by percent of loan outstanding or number of days late depending on who conducts this function and policies developed by the board.

## Cosigners

The proposed application form gives directions for providing cosigners to a loan. It would be beneficial for the program to encourage applicants with uncertain financial positions to arrange for a cosigner. Attaching cosigners to a loan reduces the risk to the program of losing funds through default, therefore making it easier to approve the loan. In addition, there are often fewer difficulties associated with using cosigners than with securing a loan with collateral. For example, if an applicant uses a car to secure a loan, then there are concerns with whether or not insurance is kept up on the car, if the car's condition is properly maintained, and so forth. There are generally fewer procedural burdens on the program to close loans using cosigners than those using collateral.

## Steps to Implement

### Phase I:

- Finalize proposed loan model
- Build base of support among interest groups, political figures, etc.
- Begin fundraising (See Addendum), continuing through establishment process
- Commit central entity (Model A: Coordinator, Model B: Human resources agency, Model C: Non-Profit Oversight)
- Investigate legalities and regulations that apply to the loan model (See Addendum)

### Phase II:

- Commitment of bank and investment of loan fund
- Commitment of private and public entities necessary to the operation of the program (Model A: Data-processing service, Model B: Finance agency, Model C: Begin recruiting non-profit agency), negotiate contracts
- Finalize arrangement with ATRC's/CILS, educate staff about the program
- Develop board policies

### Phase III:

- Begin large-scale publicity efforts
- Join credit bureau, if necessary
- Identify board members
- Design and print applications, pamphlets, brochures, etc.
- Design loan contract and other legal documents needed

## Incentives/Disincentives

For individuals with disabilities or applicants on their behalf-

### Incentives:

- The establishment of a credit history
- The criteria for eligibility is broad and non-restrictive
- Loan terms are flexible and much lower than what could be obtained elsewhere
- The ATRC's CILS will assist with choosing the appropriate AT and completing the application form
- The program has the ability to adapt if borrowers have unforeseen circumstances that alter their ability to make payments

**Disincentives:**

- Completing the application will require ample time, effort, and initiative in order to complete the form and provide all the necessary documentation
  - There will be a time lag in receiving loan funds during which the board must meet and give approval, the loan must be closed, and the check must be issued.
- This time lag is enhanced by the fact that so much of the process is done through the mail

**For commercial entities-****Incentives:**

- If they are participating by contributing funds, publicity will be provided in return for providing a community service (they could be mentioned in the press releases to local newspapers, for example)
- If they are participating in the operations of the program, the program will enlarge and increase their income over time

**Disincentives:**

- For contributors, the fact that the program is unproven will act as a disincentive
- For participators, they will be committing to an enlarging program over which they do not have control

**For private non-profits-****Incentives:**

- This program addresses a broad and largely untouched need in the disabled population
- It would most likely help them fulfill their own goals as an organization
- It might allow them to expand their own services (for example, stretching out their grants to disabled individuals by combining them with loans funds)

**Disincentives:**

- This will be an enlarging commitment as loans accumulate over time
- Participating will probably require introducing new operational procedures to their organization

**For non-consumer applicants (if eligible)-****Incentives:**

- They will also probably receive loan terms much more generous than what they would receive from a commercial bank

**Disincentives:**

- The program will probably require them to make an up front, dollar for dollar match to the loan funding

Addendum: Operating Cost Projections:

Operational costs are difficult to project without the final model in place, but rough estimates can be made.

First Year:	Model A	Model B	Model C
CILS	\$30,000	\$30,000	\$30,000
Board Mtg			
meals	480	480	480
travel	600	600	600
Publicity	2,000	2,000	2,000
Printing	2,000	2,000	2,000
Misc: phone, copy, supplies	800		800
Postage	400	300	200
Credit Bureau			
membership	125		125
software	160		160
Computer	1,300		1,300
Data-Processing Service	3,000		
Other Entities Providing Services	15,000	30,000	
Personnel			25,000
	_____	_____	_____
	\$55,865	\$65,380	\$62,665

Third Year:	Model A	Model B	Model C
CILS	\$30,000	\$30,000	\$30,000
Board Mtg			
meals	480	480	480
travel	600	600	600
Publicity	800	800	800
Printing	500	500	500
Postage	400	300	200
Misc: phone, copies, supplies	800		800
Data-Processing Service	9,500		
Other Entities Providing Services	15,000	35,000	
Personnel			40,000
	\$58,080	\$67,680	\$73,380

These estimates depend on several assumptions, such as: that the state will provide the necessary initial legal services, a meeting room for the board can be obtained without cost, the application fee will offset postage costs and pay for credit checks, and publicity efforts will be largely low-cost rather than more expensive mass media efforts.

There are additional ways in which these costs could be significantly reduced. The state might fund the ATRC's/CILS specifically for this project, therefore reducing or eliminating a substantial portion of the cost. It is also possible that the computer needed in models A and C could be donated, possibly by IBM Corp. The costs in model B would depend on the money needed to commit state entities to participate in the program, which the entities themselves might do for a lower price or the state might fund. Finally, Model C might not have as much of an increase in cost if additional labor was provided by a volunteer, or if the office the program was operating from agreed to provide staff support.

These cost projections do not include the time and resources that will be spent during the establishment of the program, which will depend entirely on the model used, the method and success of fundraising efforts, bureaucratic red tape, and many other variables. The largest resource drain will be fundraising efforts to get the initial loan fund established.

### Addendum: Fundraising Agenda

Raising the initial loan fund will require a good deal of time and effort. Because this program needs to raise more than several million dollars, it needs to concentrate on large sources of money rather than small foundations that only give out a few thousand dollars per grant.

In order for the initial fundraising to be successful, this program will need the backing of one or several key business or government figures. It would be helpful for the program to find a spokesperson of sorts, such as a CEO of a well-known company, who would be able to approach potential contributors on a higher level than what the program would otherwise be granted. It would also be beneficial to have the backing of one of more influential political figures.

There are several different sources from which money for the fund might be raised;

#### **Federal Sources**

Federal entities such as the Economic Development Agency, the Department of Health, the Department of Education, or the Small Business Association are sources of grant money, but usually for specific purposes. For example, a grant might have to be earmarked such that it will only go towards loans that allow people to gain employment.

#### **State Government**

The General Assembly could contribute to this program in several ways. As mentioned earlier, they could fund the CILS or state agencies specifically for this program, reducing or eliminating the operating costs that would be paid out of the loan fund. The General Assembly might also allocate money to the loan fund, particularly after the program has proven its effectiveness and has loan recipients to testify on its behalf before state committees.

#### **Corporations**

Many corporations give grants both as a corporation and through a foundation, so both avenues should be pursued. Because of the amount of funds needed for this program, it would be better to focus on the larger corporations who have the most money to give and are in fairly good financial condition. Phillip Morris, RJ Reynolds, Ethyl Corp., and most petroleum companies are all potential contributors. In addition, Circuit City, which is a locally based company, chooses only one cause a year to fund. This program could be a candidate. Finally, IBM is a potential contributor, if not of funds, at least of equipment, such as the computer mentioned earlier.

#### **Manufacturers of Assistive Technology**

This industry has the most to gain from contributing to the fund, since the monies borrowed will be used to purchase their products.

#### **Insurance Companies**

The larger insurance companies that operate in Virginia might also be sources of funds, but the actual level of funding granted might be small.

### Private Foundations

It would take a large amount of resources to apply for grants from every potential contributing foundation. Therefore, it is best to concentrate on the larger ones that tend to make large lump-sum contributions, such as the Ford or Carnegie Foundations. A listing of foundations that operate primarily in Virginia is being submitted along with this model, with about 15 foundations highlighted that look the most promising based on criteria for funding and general size of grants.

Virginia Commonwealth University has a research facility for Corporate Development, which would be a more comprehensive source of information with which to identify potential corporate contributors and backers.

### Addendum: Potential Participating Entities

#### Model A:

##### Data-Processing Service

Not all data-processing services provide the sort of services that this program would require. Automated Business Solutions was consulted during the research of this model and would be willing to contract with this program. They are also located almost directly between a post office and bank, so they could easily receive payments and make deposits. As the program expands, they might want to switch over to a "lock-box" procedure in which payments are sent directly to a bank and then posted by computer to the service.

##### Central Coordinator

There are several different private entities that might serve as the central coordinator. One of the more general private non-profits, such as Easter Seals, might want to become involved. Or a smaller, more specialized entity might take on the coordination of this program if there were incentives that would further their specific interest. Virginia Head Injuries Foundation has already expressed an interest in the program. A public entity, such as one of the human resources agencies or departments mentioned below could also participate.

#### Model B:

##### Finance Agency

The best alternative for a finance agency would be one of the authorities that operate under the Department of Economic Development. These authorities already provide loans in their specialized areas, so they have the resources and experience to do so for this program. These potential authorities are the Virginia Small Business Financing Authority, Virginia Housing Development Authority, Virginia Agricultural Development Authority, and the Virginia Resources Authority. Since none of these entities are specifically directed towards support of persons with disabilities, incentives and legalities would need to be addressed. The VHDA does make loans to individuals with disabilities for the purpose of adapting their homes.

##### Human Services Agencies

There are several different agencies or departments that might be tapped for participation. The Department of Medical Assistive Services, the Department of Rehabilitative Services, and the Department of Social Services all have purposes