

ALASKA LEGISLATURE COMMITTEE FILES 1985-1986 8072

3214.74

HHESS

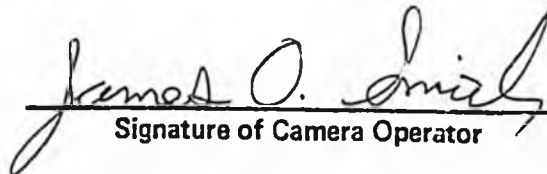
HB

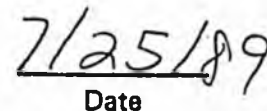
161



# RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

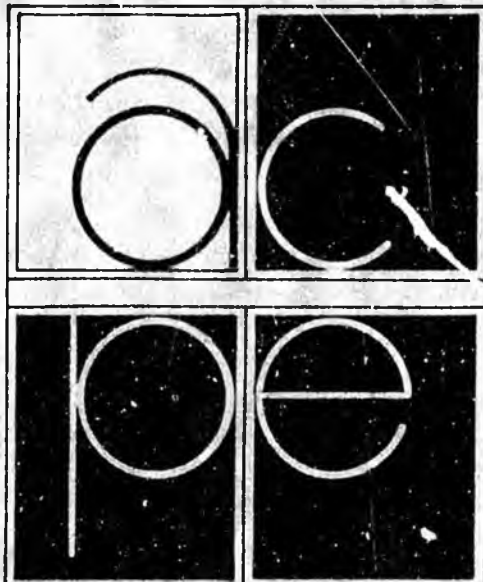
  
Signature of Camera Operator

  
Date

H B

h b

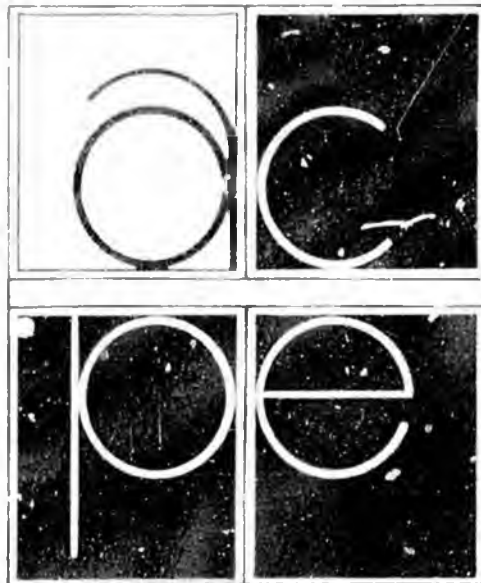
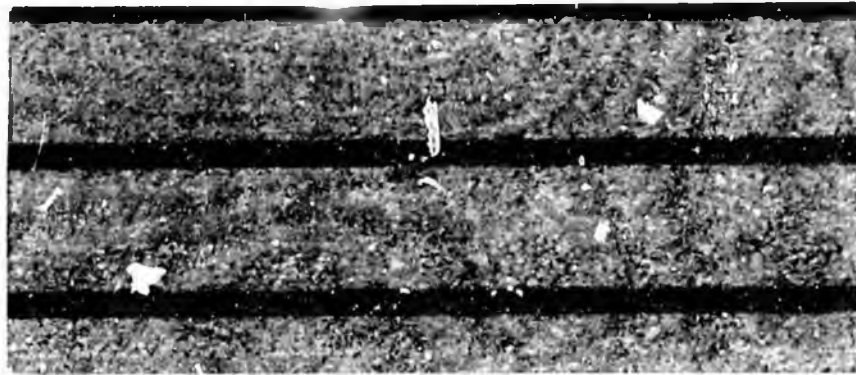




*Alaska Commission on Postsecondary Education*

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**



*Alaska Commission on Postsecondary Education*

ALASKA STUDENT LOAN

Background and Discussion Materials

February 1985

## PROGRAM DESCRIPTION

### PURPOSES

1. To provide Alaskans with access to postsecondary educational resources through low-interest loans to students.
2. To encourage an educated citizenry through initial access to education and training and through inducements to utilize that education and training in Alaska.

### TERMS

1. Undergraduates and vocational students may borrow up to \$6,000 per year of full-time study.
2. Graduate students may borrow up to \$7,000 per year of full-time study.
3. Students may borrow for up to 5 years of undergraduate study, or up to 5 years of graduate study, but for not more than 8 years combined.
4. A student must be a two-year Alaska resident to borrow and must maintain full-time study in good standing to continue borrowing Alaska student loans.
5. Loans may be used for attendance at any approved institution.
6. Proceeds from loans may only be used for the costs of tuition and fees, room and board, and books and supplies.
7. Loan repayment begins one year after the student ceases to be a full-time student (except for approved periods of deferment).
8. Repayment is over a 10-year period with provision for extending to 15 years if necessary.
9. Interest charged on the loans is 5%.

### FORGIVENESS

If, upon completion of the program of study for which the loan was granted, the borrower resides in Alaska, a portion of the loan, plus interest, shall be forgiven by the State. That portion, for up to a total of 50%, shall accrue as follows:

1. 2-3 years residence in the state, 10%
2. 3-4 years residence in the state, an additional 10%
3. 4-5 years residence in the state, an additional 10%
4. 5-6 years residence in the state, an additional 10%
5. Over 6 years residence in the state, a final 10%.

This residence must be continuous and must begin within one year of completion of program.

REPAYMENT SCHEDULE

IF YOUR STUDENT LOANS TOTAL:	YOUR MONTHLY PAYMENT FOR 120 MONTHS (10 YRS.) WOULD BE:	TOTAL TO BE REPAYED:		
		5% Interest	Principal	Total
\$1,000.00	\$ 10.61	\$ 273.20	\$1,000.00	\$ 1,273.20
2,000.00	21.21	545.20	2,000.00	2,545.20
3,000.00	31.83	818.40	3,000.00	3,818.40
4,000.00	42.43	1,091.60	4,000.00	5,091.60
5,000.00	53.06	1,363.60	5,000.00	6,363.60
6,000.00	63.64	1,636.80	6,000.00	7,636.80
7,000.00	74.25	1,910.00	7,000.00	8,910.00
8,000.00	84.95	2,182.00	8,000.00	10,182.00
9,000.00	95.46	2,455.20	9,000.00	11,455.20
10,000.00	106.07	2,728.40	10,000.00	12,728.40
15,000.00	159.10	4,092.00	15,000.00	19,092.00
20,000.00	212.13	5,455.60	20,000.00	25,455.60
25,000.00	265.16	6,819.20	25,000.00	31,819.20
30,000.00	318.20	8,182.80	30,000.00	38,182.80
35,000.00	371.23	9,547.60	35,000.00	44,547.60
40,000.00	424.26	10,911.20	40,000.00	50,911.20
45,000.00	477.29	12,274.80	45,000.00	57,274.80
50,000.00	530.33	13,639.60	50,000.00	63,639.60

ALASKA STUDENT LOAN PROGRAM

1984-85 Loans

(a) Funds Available

FY85 General Fund Appropriation	\$60,000,000
FY84 Carry-Forward	8,745,359
Federal Funds (GSL)	350,000
	<u>Sub-Total</u>
	\$69,095,359
Estimated FY85 Receipts	9,927,084
	<u>Total</u>
	\$79,022,443

(b) Loans as of February 1, 1985

Student Level	Alaska		Out-of-State		Total	
	Number	Amount	Number	Amount	Number	Amount
Freshman	2,964	\$11,637,561	2,084	\$10,611,284	5,048	\$21,648,845
Sophomore	1,519	6,194,443	1,552	7,578,675	3,072	13,773,118
Junior	1,045	4,548,563	1,324	6,613,654	2,369	11,162,217
Senior	1,071	4,536,985	1,163	6,738,671	2,234	11,275,656
Vocational	1,949	10,278,744	793	3,954,328	2,742	14,233,072
<u>Undergraduate</u>	<u>8,548</u>	<u>\$37,196,296</u>	<u>6,917</u>	<u>\$33,896,662</u>	<u>15,465</u>	<u>\$71,092,958</u>
<u>Graduate</u>	<u>301</u>	<u>1,461,275</u>	<u>1,050</u>	<u>6,134,621</u>	<u>1,351</u>	<u>7,595,896</u>
<u>Total</u>	<u>8,849</u>	<u>\$38,657,571</u>	<u>7,967</u>	<u>\$40,031,283</u>	<u>16,816</u>	<u>\$78,688,854</u>

(c) In-State/Out-of-State Attendance by Level (February 1, 1985).

Student Level	Alaska	%	Out-of-State	%
Freshman	2,964	58.7	2,084	41.3
Sophomore	1,519	49.4	1,553	50.6
Junior	1,045	44.1	1,324	55.9
Senior	1,071	47.9	1,163	52.1
Vocational	1,949	71.1	793	28.9
<u>Undergraduate</u>	<u>8,548</u>	<u>55.3</u>	<u>6,917</u>	<u>44.7</u>
<u>Graduate</u>	<u>301</u>	<u>22.3</u>	<u>1,050</u>	<u>77.7</u>
<u>Total</u>	<u>8,849</u>	<u>52.6</u>	<u>7,967</u>	<u>47.4</u>

(d) Percent In-State Previous Years

Year	Undergraduate	Graduate	All Loans
1978-79	35.1	12.0	32.3
1979-80	36.1	12.3	33.3
1980-81	45.3	17.9	42.3
1981-82	47.3	23.8	45.0
1982-83	53.1	23.4	50.4
1983-84 (To date)	55.6	22.3	52.6

DISTRIBUTION OF ALASKA STATE LOANS  
FOR STUDENTS ATTENDING IN ALASKA  
(1984-85 Loans)  
(As of December 31, 1984)

Institution	1984-85	
	No.	Amount
University of Alaska, Fairbanks	2,101	\$ 8,130,700
University of Alaska, Anchorage	1,443	6,111,600
Anchorage Community College	1,366	5,879,150
Kenai Peninsula Community College	352	1,586,200
University of Alaska, Juneau	281	1,194,950
Alaska Pacific University	246	1,182,900
Alaska Vocational-Technical Center	180	500,800
Matanuska-Susitna Community College	168	722,300
Tanana Valley Community College	155	741,600
Testing Institute of Alaska	152	831,600
Bookkeeping Concepts	151	777,900
Alaska Masonry School	150	886,300
Sheldon Jackson College	141	732,900
New Anchorage Beauty School	111	587,200
Alaska Business College	77	443,100
Alaska Computer Institute of Technology	75	426,850
Clerical Skills Training	69	403,450
Ketchikan Community College	58	243,250
Hutchison Career Center	55	225,800
Alaska Vocational School	53	271,300
Gordon Aviation, Inc.	52	234,000
Scruples II, Action School of Broadcasting	52	227,000
North Pacific Business Institute	50	276,600
Trend Setters School of Beauty	49	283,650
Prince William Sound Community College	46	213,350
People Count, Inc.	45	220,400
Wilburs Flight Operation	41	220,900
Satellite Technicians Applied Research and Development	38	228,000
Aviation Network	31	170,700
Academy of Hair Design	30	138,200
Islands Community College	30	121,800
Aero Tech Flight School	29	166,000
Kuskokwim Community College	29	88,650
Kodiak Community College	27	120,200
Anchorage Alaska School of Barbering	26	135,800
Kotzebue Technical Center	25	115,000
Fort Richardson Flying Club	24	136,500
Elmendorf Aero Club	24	133,500
Headquarters Barber & Beauty Academy	21	110,600
Aviation North	18	94,450
Larry's Flying Service	16	95,450
Vern Air	16	93,000

(Continued)

Institution	1984-85	
	No.	Amount
Peninsula Hair Styling Academy	16	74,250
St. Herman's Theological Seminary	15	57,450
A.I.R. Center	14	78,500
New Concepts Beauty School	14	53,900
Delta Greely Rural Educational Center	13	59,500
World Security Police Academy	11	34,300
University of LaVerne	8	41,000
Alaska Bible College	7	26,100
Fairbanks Beauty School	6	25,700
Alaska Air Academy	5	29,000
Chapman College	5	18,250
American Pacific Aviation	4	24,000
Peninsula Institute of Welding Technology	4	23,200
Air Cushion Technologies	4	14,750
Arctic Bible Institute	4	3,100
Action Helicopter	3	18,000
Northwest Community College	3	11,350
High Tech Helicopter	2	12,000
Alaska Aviation School	1	6,000
Alaska Native Training Institute	1	6,000
University of Alaska, Rural Education	1	6,000
Flight Training Devices	1	5,700
Victorian Academy of Cosmetology and Barbering	1	5,200
Far North Bible College	1	4,550
TOTAL	8,250	\$36,147,350

INSTITUTIONS AT WHICH AT LEAST FIFTY ALASKA  
STUDENT LOAN BORROWERS ATTENDED  
(1984-85 Loans)  
(As of December 31, 1984)

Institution	1984-85	
	No.	Amount
*University of Alaska, Fairbanks	2,101	\$8,130,700
*University of Alaska, Anchorage	1,443	6,111,600
*Anchorage Community College	1,366	5,879,150
*Kenai Peninsula Community College	352	1,586,200
*University of Alaska, Juneau	281	1,194,950
University of Washington	255	1,379,700
*Alaska Pacific University	246	1,182,900
Oregon State University	231	1,218,300
University of Oregon	212	1,088,750
*Alaska Vocational-Technical Center	180	500,800
*Matanuska-Susitna Community College	168	722,300
Arizona State University	166	863,100
Western Washington University	162	821,150
Brigham Young University (UT)	157	585,150
*Tanana Valley Community College	155	741,600
*Testing Institute of Alaska	152	831,600
*Alaska Masonry School	150	886,300
*Sheldon Jackson College	141	732,900
Washington State University	132	716,750
International Air Academy (WA)	128	521,300
University of Puget Sound (WA)	112	625,900
*New Anchorage Beauty School	111	587,200
Northern Arizona University	110	532,150
Central Washington University	96	528,500
University of Arizona	94	490,940
Gonzaga University (WA)	93	543,950
Willamette University (OR)	90	522,500
University of Hawaii, Manoa	82	411,100
Montana State University	82	399,900
University of Colorado	78	419,750
*Alaska Business College	77	443,100
*Alaska Computer Institute of Technology	75	426,850
Seattle University (WA)	73	376,050
Pacific Lutheran University (WA)	71	397,350
University of Idaho	70	362,300
Seattle Pacific University (WA)	70	360,950
*Clerical Skills Training	69	403,450
University of Montana	65	287,450
Lewis and Clark College (OR)	62	320,000
Colorado State University	59	330,450
Stanford University (CA)	58	323,550
*Ketchikan Community College	58	243,250

\*Alaskan Schools

(Continued)

Institution	1984-85	
	No.	Amount
West Coast Training Service	58	219,600
Eastern Washington University	57	302,850
Linfield College (OR)	57	291,050
University of Colorado, Boulder	56	291,000
*Hutchison Career Center	55	225,800
Southern Oregon State College	54	274,950
*Alaska Vocational Schools	53	271,300
*Gordon Aviation, Inc.	52	234,000
*Scruples II, Action School of Broadcasting	52	227,000
Denver Automotive and Diesel College (CO)	51	293,350
DeVry Institute of Technology (AZ)	51	265,300
*North Pacific Business Institute	50	276,600

\*Alaskan School

ALASKA STUDENT LOAN PROGRAM  
REPAYMENT AND COLLECTIONS REPORT

1. Repayments

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	<u>Average Monthly</u>
1974-75	\$ 73,432	\$ 162,044	\$ 235,476	\$ 19,623
1975-76	162,354	303,176	465,530	38,794
1976-77	320,971	820,490	1,141,461	95,122
1977-78	223,739	968,112	1,191,851	99,321
1978-79	172,249	1,219,394	1,391,643	115,970
1979-80	243,347	1,360,089	1,603,436	133,620
1980-81	416,779	1,808,609	2,225,388	185,449
1981-82	517,939	2,261,961	2,779,900	231,658
1982-83	730,150	3,877,901	4,609,051	384,088
1983-84	1,100,111	5,310,013	6,410,124	534,177
1984-85	N.A.	N.A.	9,927,084	827,257 (est.)
1985-86	N.A.	N.A.	11,879,790	989,983 (est.)

Total repaid through 1983-84: \$22,053,860

2. Number of loan accounts in repayment

<u>June 30</u>	<u>Number</u>
1981	7,196
1982	10,683
1983	15,669
1984	21,771
1985	29,326 (est.)

3. Forgiveness (through December 1984)

<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>	<u>Fifth</u>
627	627	627	627	627
524	524	524	524	-0-
568	568	568	-0-	-0-
833	833	-0-	-0-	-0-
<u>1,447</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
3,999	2,552	1,719	1,151	627

4. Forgiveness Benefits Received (1974-75 through 1983-84)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1974-75	\$ 304	\$ 399	\$ 703
1975-76	42,733	1,500	44,233
1976-77	61,202	3,544	64,746
1977-78	274,210	40,096	314,306
1978-79	367,590	78,395	445,985
1979-80	334,491	75,010	409,501
1980-81	446,077	109,417	555,494
1981-82	617,986	167,783	785,769
1982-83	665,016	181,012	846,028
1983-84	<u>960,738</u>	<u>210,501</u>	<u>1,171,239</u>
TOTAL	<u>\$2,770,347</u>	<u>\$67,657</u>	<u>\$4,638,004</u>

5. Default (Compiled on June 30)

<u>Year</u>	<u>Rate</u>
1971-72	N.A.
1972-73	N.A.
1973-74	N.A.
1974-75	80.0%
1975-76	44.6%
1976-77	24.9%
1977-78	22.3%
1978-79	19.3%
1979-80	14.5%
1980-81	11.5%
1981-82	9.2%
1982-83	9.1%
1983-84	13.5%

Monthly (1984-85)

<u>Month</u>	<u>Rate</u>
July	14.2%
August	14.6%
September*	17.0%
October *	17.4%
November *	17.7%
December *	16.9%
January *	15.7%

\*Accounts transferred to Patterson and Van Abel.

6. Number of defaulted accounts transferred to Patterson and Van Abel.

<u>Month</u>	<u>Accounts</u>
October	3,190
November	108
December	125
January	<u>302</u>
TOTAL	<u>3,725</u>

TABLE I  
STUDENT FINANCIAL AIDS ADMINISTRATION  
STATE STUDENT LOAN ACTIVITY  
Projected to 1989-90

Year	Loan Awards	Loan Volume	Cumulative Total	Average Loan	Loan Collections	Federal Funds	Loan Forgiveness	General Fund
1971-72	1,081	\$ 1,603,158	1,603,158	\$1,483	\$ -0-	\$ -0-	\$ -0-	\$ 1,603,158
1972-73	1,748	2,870,384	4,473,542	1,642	-0-	-0-	-0-	2,870,384
1973-74	1,665	2,986,176	7,459,718	1,793	-0-	-0-	-0-	2,986,176
1974-75	1,457	2,659,807	10,119,525	1,826	235,476	-0-	703	2,424,331
1975-76	1,719	3,382,997	13,502,522	1,968	465,530	-0-	44,233	2,977,467
1976-77	1,921	3,850,507	17,353,029	2,004	1,141,461	-0-	64,746	2,709,046
1977-78	2,265	4,604,167	21,957,196	2,033	1,191,851	-0-	314,306	3,412,316
1978-79	2,795	6,416,402	28,373,598	2,296	1,391,643	-0-	445,985	5,024,758
1979-80	3,918	9,273,949	37,747,547	2,393	1,603,436	-0-	409,501	7,770,513
1980-81	6,460	15,957,717	53,705,264	2,475	2,225,388	-0-	555,494	13,732,329
1981-82	9,898	40,559,499	94,264,763	4,098	2,779,900	1,000,000	785,769	36,819,599
1982-83	13,058	55,007,395	149,272,158	4,213	4,609,051	1,200,000	(846,028)	49,198,344
1983-84	14,785	62,912,316	212,184,474	4,255	6,410,124	522,481	1,171,239	56,162,552
1984-85	16,404	73,818,000	286,002,474	4,500	9,927,084	350,000	1,950,101	63,540,916
1985-86	17,693	84,484,075	370,486,549	4,775	11,879,790	225,000	2,325,078	72,379,285
1986-87	17,894	90,364,700	460,851,249	5,050	15,103,702	150,000	2,944,162	75,110,998
1987-88	17,178	92,761,200	553,612,449	5,400	18,421,086	65,000	3,581,196	74,275,114
1988-89	15,212	87,088,700	640,701,149	5,725	21,667,004	25,000	4,204,507	65,396,696
1989-90	15,465	92,016,750	732,717,899	5,950	24,475,215	N.A.	4,743,765	67,541,535

\*1984-85 through 1989-90 are projections

Revised 9/84

SAMPLE STUDENT BUDGETS  
(1984-85)\*

Budget Item	UAF On-Campus	UAF Off-Campus	UAA	UAJ	ACC	Kenai Penn. C.C.	APU On-Campus	SJC On-Campus
Tuition & Fees	\$ 940	\$ 940	\$ 720	\$ 744	\$ 720	\$ 636	\$3,550	\$3,246
Room & Board	2,400	4,800	5,148	4,650	5,148	4,913	3,350	3,400
Books & Supplies	400	400	270	300	290	270	270	300
Subtotal	\$3,740	\$6,140	\$6,138	\$5,694	\$6,158	\$5,819	\$7,170	\$6,946
Transportation	1,000	1,000	801	700	774	1,152	800	900
Personal	800	800	963	900	927	918	910	900
Total	\$5,540	\$7,940	\$7,902	\$7,294	\$7,859	\$7,889	\$8,880	\$8,746

Budget Item	Oregon State U On-Campus	U of Oregon On-Campus	Willamette U On-Campus	Linfield College On-Campus	Lewis & Clark College On-Campus	U of Washington On-Campus	Western Washington U On-Campus
Tuition & Fees	\$4,050	\$4,080	\$6,410	\$ 6,080	\$7,569	\$3,618	\$3,486
Room & Board	2,200	2,340	2,700	2,210	3,037	2,805	2,325
Books & Supplies	330	300	250	250	250	399	350
Subtotal	\$6,580	\$6,720	\$9,360	\$ 8,540	\$10,856	\$6,822	\$6,161
Transportation	1,400	1,300	2,000	2,000	1,600	1,600	1,600
Personal	1,050	1,000	550	650	600	1,158	700
Total	\$9,030	\$9,020	\$11,910	\$11,190	\$13,056	\$9,580	\$8,461

Budget Item	Washington State U On-Campus	Pacific Lutheran U On-Campus	U Puget Sound On-Campus	Gonzaga U On-Campus	Seattle U On-Campus	Arizona State U On-Campus	Northern Arizona U On-Campus
Tuition & Fees	\$3,624	\$ 5,950	\$ 6,330	\$ 5,900	\$ 5,625	\$3,700	\$3,200
Room & Board	2,400	2,800	2,900	2,700	2,955	2,700	1,960
Books & Supplies	350	400	400	400	400	420	350
Subtotal	\$6,374	\$ 9,150	\$ 9,630	\$ 9,000	\$ 8,980	\$6,820	\$5,510
Transportation	1,700	1,750	1,300	1,700	1,800	1,700	1,400
Personal	1,000	1,200	400	1,000	1,020	1,000	800
Total	\$9,074	\$12,100	\$11,330	\$11,700	\$11,800	\$9,520	\$7,710

\*All budgets are for single full-time undergraduate students for a full academic year.

SAMPLE STUDENT BUDGETS  
(1984-85)\*

Budget Item	U of Hawaii On-Campus	U of Idaho On-Campus	U of Montana On-Campus	Colorado State U On-Campus	U of Colorado On-Campus	U of Denver On-Campus	Stanford U On-Campus
Tuition & Fees	\$3,126	\$2,816	\$2,241	\$4,805	\$ 5,055	\$ 6,696	\$ 9,750
Room & Board	2,275	2,580	2,081	2,740	2,468	2,955	4,000
Books & Supplies	368	400	200	320	325	375	400
Subtotal	\$5,769	\$5,796	\$4,522	\$7,865	\$ 7,848	\$10,026	\$14,150
Transportation	1,400	1,500	1,100	1,550	1,800	1,615	2,000
Personal	686	600	500	260	1,417	690	800
Total	\$7,855	\$8,414	\$6,122	\$9,675	\$10,733	\$12,331	\$16,950

Budget Item	Boston U On-Campus	Purdue U On-Campus	Northwestern U On-Campus	Dartmouth College On-Campus	Brigham Young U On-Campus
Tuition & Fees	\$ 9,116	\$4,260	\$ 9,615	\$ 9,090	\$1,400
Room & Board	3,900	3,110	3,540	3,490	2,100
Books & Supplies	350	300	405	inc. personal 1,080	370
Subtotal	\$13,366	\$7,670	\$13,560	\$13,660	\$3,870
Transportation	1,700	2,000	2,080	2,000	1,200
Personal	700	800	730	1,600	680
Total	\$15,766	\$10,470	\$16,370	\$16,260	\$5,750

\*All budgets are for single time undergraduate students for a full academic year.

SURVEY OF 1983-84 ALASKA  
STUDENT LOAN RECIPIENTS

Alaska Commission on Postsecondary Education  
March, 1984

## INTRODUCTION

The Alaska Student Loan program, established in 1971, is the most generous loan program in the nation, and has provided student financial aid, in the form of low interest loans, to over 50,000 Alaskan residents. For a number of years the vast majority of borrowers used their Alaska loans to attend postsecondary educational institutions outside the State of Alaska, but from 1975 to 1982 there was a steadily increasing trend toward in-state attendance, culminating in over fifty percent of the 1982-83 borrowers attending school in Alaska. Then, in 1983-84, the trend broke. As of November 1, 1983, 53.4 percent of the student loan borrowers were attending school out-of-state.

In an effort to better understand this break in an eight-year pattern, all 1983-84 loan recipients were surveyed. This was the first attempt to survey current borrowers in the thirteen-year history of the loan program, so the opportunity was taken to solicit opinions on a number of issues related to Alaska student loans.

## PROCEDURE

During the last week of October 1983, questionnaires (see Appendix A) were mailed to all (13,026) 1983-84 student loan recipients. The questionnaires were mailed to the permanent home address of each borrower in the hope that it would be forwarded to school addresses when necessary. No follow-up was conducted, since not all files contain accurate current address data.

## FINDINGS

Of the 13,026 loan recipients surveyed, 7,476 (57.4%) returned completed questionnaires. For a census-type survey with no follow-up, this is an acceptable response rate as long as the respondents seem to be distributed in a pattern similar to the borrowing population. As can be seen in Table 1, the response rate by student level was quite evenly spread, when compared to the borrowing population, and therefore should serve as a good indicator for inference to the population. Similarly, the in-state/out-of-state mix is not disproportionate.

The only group which may be over-represented is graduate students attending in Alaska, since the response rate was a very high 94.4%. However, since this class of borrowers is relatively small, it should not lessen the reliability of the findings.

TABLE 1

Distribution Of Respondents By  
Student Level

Student Level	Alaska Attendance			Out-of-State			Total		
	No.	%	% of Borrowers	No.	%	% of Borrowers	No.	%	% of Borrowers
Freshman	856	25.6	43.7	974	23.6	51.5	1,830	24.5	47.5
Sophomore	743	22.2	57.6	829	20.1	58.4	1,572	21.0	58.1
Junior	596	17.8	64.4	745	18.0	64.4	1,341	17.9	64.4
Senior	516	15.4	64.2	648	15.7	63.8	1,164	15.6	64.0
Graduate	255	7.6	94.4	695	16.8	71.1	950	12.7	76.2
Vocational	378	11.4	46.4	241	5.8	47.9	619	8.3	47.0
Total	3,344	100.0	55.1	4,132	100.0	59.4	7,476	100.0	57.4

Type of Institution Attended. The loan borrowers were asked to indicate what type of school they were attending and whether it is located in Alaska or out-of-state. Over three-fourths (78.0%) of the respondents indicated they were attending a four-year college or university, either public or private, with out-of-state enrollees more heavily represented in this type of school, than Alaska enrollees. (See Table 2.) Not surprisingly, community college and vocational students tend to attend in Alaska, rather than traveling outside for schooling.

TABLE 2

Distribution Of Respondents By  
Type Of Institution

Type of Institution	Alaska		Out-of-State		Total	
	Number	%	Number	%	Number	%
Vocational	445	13.3	287	6.9	732	9.8
Community Colleges	766	22.9	231	5.6	997	13.3
Private Coll/Univ.	182	5.4	1,628	39.4	1,810	24.2
Public Coll/Univ.	1,951	58.4	1,986	48.1	3,937	52.7
Total	3,344	100.0	4,132	100.0	7,476	100.0
% of Respondents	44.7		55.3		100.0	
% of Borrowers	55.1		59.4		57.4	

Student Loan Interest Rate. The current interest rate on Alaska student loans is 5%. This is the lowest student loan interest for any state comprehensive student loan program in the nation, and there is nearly always debate over the level during each legislative session. When the borrowers were asked, they strongly endorsed retaining the 5% loan rate. Nearly three-fourths (74.9%) of the borrowers felt that 5% is the appropriate interest rate for these loans. Only 18.6% of the borrowers felt the rate should be increased, and even then, most felt only a small increase was in order. (See Table 3.)

TABLE 3

What Rate Of Interest Should Be  
Set For Student Loans?

Interest Rate	Number	Percentage
5%	5,603	74.9
6%	640	8.6
7%	441	5.9
8%	164	2.2
9%	145	1.9
No Opinion	483	6.5
Total	7,476	100.0

Student Loan Borrowing Maximums. The Alaska Student Loan program permits students to borrow up to \$6,000 per year for undergraduate study and up to \$7,000 per year for graduate study. Once again, Alaska's program is distinguished from other state-level comprehensive student loan programs in the nation. There is no other comparable loan program with borrowing maximums as high as Alaska's. Current borrowers were asked what maximums they believed to be appropriate for Alaska Student Loans. As indicated in Table 4, the majority (78.4%) by more than three-to-one, believed the current maximums are appropriate. Few, less than 5%, felt the maximums should be lowered, and 16.1% felt the maximums should be raised.

TABLE 4

Should The Loan Borrowing  
Maximum Be Changed?

Response	Number	Percent
Retains Current Level	5,863	78.4
Reduce Maximum	306	4.1
Revise Maximum Upward	1,201	16.1
No Opinion	106	1.4
Total	7,476	100.0

An interesting pattern develops when one looks at which students believe higher maximums are appropriate. These data are presented in Table 5, and indicate that freshman borrowers, both in-state and out-of-state, and graduate borrowers attending out-of-state are disproportionately represented in the 1,201 persons desiring higher borrowing limits. One might guess that the out-of-state graduate borrowers are reacting to actual costs incurred by such attendance when they want limits raised, but the fact that freshman, when compared to sophomores, juniors, and seniors, are disproportionately represented in those wishing higher limits, may simply mean that they do not know the true costs of attendance in this--their first semester of school.

TABLE 5

Distribution Of Respondents Favoring  
Raising The Loan Maximum

Type of Institution	Alaska		Out-of-State		Total	
	Number	%	Number	%	Number	%
Freshman	144	28.7	141	20.2	285	23.7
Sophomore	95	18.9	134	19.2	229	19.1
Junior	83	16.5	97	13.9	180	15.0
Senior	44	8.7	94	13.5	138	11.5
Graduate	42	8.3	184	26.4	226	18.8
Vocational	95	18.9	48	6.8	143	11.9
Total	503	100.0	698	100.0	1,201	100.0

Student Loan Forgiveness Benefits. One of the more controversial aspects of the Alaska Student Loan program is the provision of forgiveness benefits. This too, distinguishes Alaska's program as the most generous in the country. If Alaska borrowers complete the program of study for which they borrow and then live in Alaska, they can have up to 50% of their total indebtedness, including interest, forgiven by the State. Periodic discussion in Alaska's Legislature centers on whether this forgiveness provision should be retained. When asked, the current borrowers overwhelmingly indicated their belief that forgiveness should be retained at the current level. (See Table 6.)

TABLE 6

Should The Loan Forgiveness  
Benefits Be Changed?

Response	Number	Percent
Retain Current Level	6,864	91.8
Reduce Forgiveness	358	4.8
Discontinue Forgiveness	166	2.2
No Opinion	88	1.2
Total	7,476	100.0

This rather straightforward result was not unexpected, but does not get at the heart of the debate on forgiveness. In order to better understand the effects of forgiveness, borrowers were asked if forgiveness influenced their decisions regarding how much they borrowed and where they would live after schooling. The results, found in Table 7, are somewhat mixed. For students attending in Alaska, forgiveness influenced borrowing in nearly as many cases as it did not, but for out-of-state attendees, forgiveness was said not to be a factor by nearly two-to-one. In terms of residence after schooling, forgiveness did not seem to be a big factor one way or the other for those attending in-state, but was said to influence the decisions of out-of-state attendees, again by nearly two-to-one.

TABLE 7

Influence Of Loan Forgiveness  
Benefits On Student Decisions

Do Loan Forgiveness Benefits Influence Decisions Regarding:	Alaska Attendance		Out-of-State	
	Yes	No	Yes	No
How much you borrow?	1,516	1,789	1,812	2,255
Where you live after schooling?	1,538	1,780	2,684	1,396

Change From In-State to Out-of-State Attendance. Borrowers were asked if they had attended a postsecondary school last year, and if so, where. The pattern toward continued attendance was evident for both Alaska attendees and out-of-state attendees. Of the 2,117 respondents currently attending school in Alaska who also attended a postsecondary school last year, 90.4% had attended school in Alaska last year too; and of the 2,942 respondents currently attending school out-of-state who also attended a postsecondary school last year, 78.8% had attended school out-of-state last year, too. Looking only at those students who switched from Alaska to out-of-state attendance, or the reverse, one finds that only 9.6% of the students currently attending in Alaska, attended out-of-state last year; and 21.2% of the students currently attending out-of-state, attended in Alaska last year. (See Table 8.)

TABLE 8

Attendance In-State Versus Out-Of-State This Year  
Versus Last, By Type Of Institution

Type Of Institution	Current Attendance in Alaska					Current Attendance Out-of-State				
	Alaska Last Year		Out-of-State Last Year		Total	Alaska Last Year		Out-of-State Last Year		Total
	No.	%	No.	%		No.	%	No.	%	
Vocational	39	90.7	4	9.3	43	-0-	0.0	77	100.0	77
Community Coll.	478	87.2	70	12.8	548	44	19.7	179	80.3	223
Private Coll/Univ.	97	85.1	17	14.9	114	204	16.7	1,018	83.3	1,222
Public Coll/Univ.	1,300	92.1	112	7.9	1,412	376	26.5	1,044	73.5	1,420
<b>Total</b>	<b>1,914</b>	<b>90.4</b>	<b>203</b>	<b>9.6</b>	<b>2,117</b>	<b>624</b>	<b>21.2</b>	<b>2,318</b>	<b>78.8</b>	<b>2,942</b>

In order to try to determine why a person would switch from attending in Alaska to attending out-of-state, the 624 respondents who did so were asked to list the top factors (up to four) influencing that decision. The results (based upon a weighted average giving more value to each person's primary reason for switching and correspondingly less for other reasons) are listed in Table 9. Program Availability was the most influential factor in the decision to switch to out-of-state attendance, followed by Closeness to Home and Low Tuition and Expenses. The high ranking of Closeness to Home is difficult to understand, unless persons were trying to indicate they were attending out-of-state so as not to be close to home.

TABLE 9  
Reasons For Attending Out-Of-State After  
Attending In Alaska Last Year

Reason (Descending Order)	Weighted Average
Availability of Program	442.3
Closeness to Home	333.7
Low Tuition and Expenses	321.0
Availability of Financial Aid	239.2
Geographic Location/Weather/Climate	176.5
School Reputation/Prestige	159.0
Ability to Work While Attending	137.3
Encouragement of Parents/Friend	83.1
Availability of Campus Housing	57.0
Encouragement of Teachers/Counselors	41.3
Friends Are There	36.3
Athletics/Recreational Activities	32.4
Religious Atmosphere	26.2
Sororities/Fraternities/Organizations	5.4

Next, those 624 persons switching from Alaska attendance to out-of-state were asked what factor could have encouraged them to continue their Alaska attendance rather than switching. The top factor was again Program Availability, and it was the top factor regardless of what type of institution was being attended out-of-state. The other factors which seemed to have a strong influence on the decision to switch to out-of-state attendance were: Quality, Campus Housing, Lower Costs, and Better Weather. (See Table 10.)

TABLE 10

For Those Attending Out-Of-State After  
Attending In Alaska Last Year, What  
Would Have Kept Them In Alaska?  
By Type Of Institution

Vocational School	Community College	Private Coll/Univ.	Public Coll/Univ.
Program Availability Better Quality Lower Costs	Program Availability Campus Housing Better Quality Better Weather Lower Costs	Program Availability Better Quality Campus Housing Religious Atmosphere Lower Costs	Program Availability Better Quality Campus Housing Better Weather Lower Costs

Reasons For Selecting Current Institution. All respondents were asked why they chose their particular institution for pursuing their education, and as can be seen in Table 11, Program Availability was a very important factor for all students regardless of whether they were attending in Alaska or out-of-state and regardless of the type of school attended. The top three factors for each classification are presented in Table 11, and there is a difference between the responses of those attending in Alaska compared to those attending out-of-state. While the most important factor for out-of-state attendance at community colleges and public colleges or universities is Program Availability, the most important factor for Alaskan attendance at community colleges and public colleges and universities is Closeness to Home. It should also be noted that School Reputation, while an important factor for persons attending out-of-state, was not one of the top three factors for those attending in Alaska.

TABLE 11

Top Three Reasons For Selecting Current  
Institution Of Attendance,  
By Type Of Institution

Type of Institution	Most Important Factor	Second Factor	Third Factor
Vocational (Alaska) (Out-of-State)	Program Availability Program Availability	Ability to Work School Reputation	Financial Aid Financial Aid
Community College (Alaska) (Out-of-State)	Closeness to Home Program Availability	Program Availability Low Cost	Low Cost School Reputation
Private College/University (Alaska) (Out-of-State)	Program Availability Program Availability	Ability to Work School Reputation	Financial Aid Religious Atmosphere
Public College/University (Alaska) (Out-of-State)	Closeness to Home Program Availability	Program Availability School Reputation	Low Cost Climate/Weather

For Those Attending Out-of-State, What Could Have Encouraged Alaska Attendance? The 1,132 respondents attending school out-of-state were asked what factor could have encouraged them to attend in Alaska. As with those students who switched attendance from in-state to out-of-state, the single most important factor which could have encouraged Alaska attendance was Program Availability. When the respondents were classified by type of institution (Table 12), the results were surprisingly homogenous. Program Availability and Better Quality were the two top factors for all students, regardless of institutional type. For collegiate students, Campus Housing was also an important factor.

TABLE 12

For Those Attending Out-Of-State, What  
 Could Have Encouraged Alaska  
 Attendance? (By Type Of  
 Institution)

Vocational School	Community College	Private Coll/Univ.	Public Coll/Univ.
Program Availability Better Quality Nothing Lower Costs Better Weather	Program Availability Better Quality Campus Housing Nothing Better Weather	Program Availability Better Quality Campus Housing Nothing Religious Atmosphere	Program Availability Better Quality Campus Housing Better Weather Nothing

Similarly, when the respondents were classified by student level, the same pattern emerged (Table 13). The top five factors for all undergraduate out-of-state borrowers were Program Availability, Better Quality, Campus Housing, Better Reputation, and Nothing (meaning nothing could have encouraged them to attend in Alaska).

TABLE 13

For Those Attending Out-Of-State, What  
 Could Have Encouraged Alaska Attendance?  
 (By Student Level)

Freshman	Sophomore	Junior	Senior	Graduate
Program Avail. Better Quality Campus Housing Nothing Better Reputation	Program Avail. Better Quality Campus Housing Better Reputation Nothing	Program Avail. Better Quality Campus Housing Better Reputation Nothing	Program Avail. Better Quality Campus Housing Better Reputation Nothing	Program Avail. Better Quality Nothing Better Reputation Lower Costs

Major Course of Study of Borrowers. All loan recipients were asked to indicate the degree being sought and their major course of study. The top ten majors are summarized by degree level and by in-state or out-of-state attendance in Table 14. Once again, one sees a surprising similarity in responses, particularly at the bachelor's and master's levels, regardless of whether the student is attending in Alaska or out-of-state. Out-of-state doctoral students are largely representative of persons pursuing degrees unavailable in Alaska.

TABLE 14

Top Ten Majors By Degree Level

<u>Associate</u>		<u>Bachelors</u>	
Alaska	Out-of-State	Alaska	Out-of-State
Business Health Care Electronics Computer Science Oil Tech Engineering Social Science Office Skills Education Arts	Business Computer Science Arts Engineering Education Electronics Health Care Aviation Auto/Diesel Travel	Business Education Engineering Health Care Social Science Biology Communications Arts Computer Science Pre-Law	Business Education Engineering Biology Arts Computer Science Health Care Social Science Communication Physical Science
<u>Masters</u>		<u>Doctorate</u>	
Alaska	Out-of-State	Alaska	Out-of-State
Education Business Engineering Biology Psychology Social Science Physical Science Arts Communications Health Care	Education Business Engineering Health Care Social Science Arts Biology Communications Computer Science Theology	Education Physical Science Biology Engineering	Law Education Medicine Psychology Business Chiropractic Social Science Engineering Vet. Medicine Biology
<u>Vocational</u>			
Alaska	Out-of-State		
Aviation Cosmetology Office Skills Welding Auto/Diesel Hairdressing Building Maint. Culinary Arts Travel Carpentry	Aviation Auto/Diesel Travel Health Care Office Skills Electronics Marine Technology Welding Heating/Air Conditioning Culinary Arts		

Residency Plans After Graduation. Once these Alaskan students complete their programs of study, where do they plan to live? The vast majority (97.0%) say Alaska. Regardless of whether or not they are attending school in-state, nearly all respondents indicate plans of residing in Alaska after schooling. (See Table 15.)

TABLE 15

Location Plans After Completion  
Of Program Of Study

Plans After Program Completion	Attending in Alaska		Attending Out-of-State		Total	
	Number	Percent	Number	Percent	Number	Percent
Reside in Alaska	3,274	97.9	3,976	96.2	7,250	97.0
Reside Out-of-State	70	2.1	156	3.8	226	3.0
Total	3,344	100.0	4,132	100.0	7,476	100.0

Why these students plan to return to Alaska is another question asked of the respondents. As can be seen in Table 16, the top reason for those students planning to live in Alaska after degree completion, regardless of whether or not they are currently attending in Alaska or out-of-state, is "Alaska is my home." The second most important reason for those planning Alaska residence is the top reason for those planning out-of-state residence, and that is "Job Availability." Other factors influencing location decisions include loan forgiveness, geographic location, weather, climate, availability of continuing education, and location of friends.

TABLE 16

Top Five Reasons For Location Plans After  
Completion Of Program Of Study

Attending in Alaska		Attending Out-of-State	
Alaska Residency	Out-of-State	Alaska Residency	Out-of-State
Alaska is Home	Job Availability	Alaska is Home	Job Availability
Job Availability	Geog/Weather/Climate	Job Availability	Geog/Weather/Climate
Loan Forgiveness	Cont. Educ. Avail.	Loan Forgiveness	Cont. Educ. Avail.
Friends	Friends	Friends	Friends
Geog/Weather/Clim.	Parents/Relatives	Geog/Weath./Clim.	Recreation Avail.

## SUMMARY/CONCLUSIONS

1. One of the principal reasons for conducting this survey was to discover if there was an explanation for the reversal of the eight-year trend toward in-state attendance. From the data collected it is a little difficult to single out exactly what caused this phenomena. However, when coupled with knowledge of the Alaska system a hypothesis may be offered.

These factors probably have impacted the in-state/out-of-state attendance pattern. First, the state loan program imposed new "good standing" requirements. These were enforced for the first time in 1982-83 and resulted in a large number of students becoming ineligible for continued borrowing. The majority of these ineligible students were students attending in-state, so the pool of in-state students for the current year, 1983-84, was reduced.

Second, the only public university in the state with campus housing is the University of Alaska, Fairbanks (UAF). Over six months before the current school year began, UAF had filled all its campus housing. More than 300 students who wished campus housing for the 1984-84 year had to be denied.

Third, the University of Alaska, Anchorage (UAA) has been heavily over-subscribed in a number of classes both this year and last. Many students have indicated that they simply could not get into all the UAA classes they wished for pursuit of their programs.

2. Students believe 5% is an appropriate interest rate for the student loan program.
3. Students believe the \$6,000 and \$7,000 borrowing maximums are appropriate for the student loan program. However, there is some evidence that graduate students, particularly those attending out-of-state, may be requesting a higher maximum in the near future.
4. Students believe loan forgiveness should be retained at 50%. When asked directly if loan forgiveness influences their decision on where to reside after graduation, only 57.1% indicate that it is. Also, when asked which factors are most important in this determination of where to live after graduation, loan forgiveness falls far behind "Alaska is My Home" and "Job Availability." The argument that forgiveness seems to reward students for what they would do anyway seems to be supported by this survey.

APPENDIX A

Student Loan Questionnaire

ALASKA STUDENT LOAN QUESTIONNAIRE

The Alaska Commission on Postsecondary Education has not surveyed loan recipients in the past, but due to the increased level of proposed program changes, we feel some information from you, the recipients of this program, would be most useful as we enter a new Legislative Session. Please complete this brief questionnaire and return it to us in the envelope provided. All responses are completely anonymous.

1. Check those school years in which you received an Alaska Student Loan

1975-76 _____	1978-79 _____	1981-82 _____
1976-77 _____	1979-80 _____	1982-83 _____
1977-78 _____	1980-81 _____	1983-84 _____

2. Current student level (please check)

Freshman _____	Junior _____	Graduate _____
Sophomore _____	Senior _____	Vocational _____

3. Current attendance (please check)

	<u>In Alaska</u>	<u>Out-of-State</u>
Vocational School	_____	_____
Community College	_____	_____
Private College/University	_____	_____
Public College/University	_____	_____

4. What interest level do you feel is appropriate for these loans?

5% _____	7% _____	9% _____	(indicate)
6% _____	8% _____	Other _____	

5. What loan level do you feel is appropriate for these loans?

\$6,000 and \$7,000 loan levels should be retained	_____
Loan levels should be reduced	_____
Loan levels should be raised	_____

6. Why did you decide to attend your current institution? (Please number your reasons, with "1" being most important, and limit your choices to no more than four.)

Athletics/recreational activities	_____	Availability of program	_____
Sororities/fraternities/campus organization	_____	Availability of financial aid	_____
Geographic location/weather/climate	_____	Closeness to home	_____
Encouragement of parents/relatives	_____	Religious atmosphere	_____
Encouragement of teachers/counselors	_____	Friends are there	_____
Ability to work while attending school	_____	School reputation/prestige	_____
Availability of campus housing	_____	Low tuition/expenses	_____

7. If you are attending out-of-state, what single factor could encourage you to attend in-state (what could be changed, if anything)? \_\_\_\_\_

(Please continue on reverse side)

8. Did you attend a postsecondary education institution in Alaska last year (1982-83)?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. What degree or certificate are you seeking and what is your major program of study?

Associate Degree (Major?) \_\_\_\_\_  
Bachelors Degree (Major?) \_\_\_\_\_  
Masters Degree (Major?) \_\_\_\_\_  
Specialist Degree (Major?) \_\_\_\_\_  
Doctorate Degree (Major?) \_\_\_\_\_  
Diploma (Course of Study?) \_\_\_\_\_  
Certificate (Course of Study?) \_\_\_\_\_

10. Do you plan to live in Alaska when your education is finished?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. What factors influenced your response in question 10? (Please number your reasons with "1" being most important, and limit your choices to no more than four.)

Availability of jobs	_____	Encouragement of parents/relatives	_____
Alaska is my home	_____	Availability of continuing education	_____
Friends are there	_____	Recreational activity availability	_____
Student loan forgiveness	_____	Geographic location/weather/climate	_____

12. Does the student loan forgiveness feature influence your decisions on:

a. Whether or not you live in Alaska after schooling? Yes \_\_\_\_\_ No \_\_\_\_\_  
b. How much you borrow? Yes \_\_\_\_\_ No \_\_\_\_\_

13. Should the student loan forgiveness feature be:

a. Discontinued? Yes \_\_\_\_\_ No \_\_\_\_\_  
b. Reduced? Yes \_\_\_\_\_ No \_\_\_\_\_  
c. Retained as is? Yes \_\_\_\_\_ No \_\_\_\_\_

14. If there were no Alaska State Student Loan Program, would you (check as many as applicable)?

a. Delay your education \_\_\_\_\_  
b. Not attend school at all \_\_\_\_\_  
c. Borrow under a federal loan program \_\_\_\_\_  
d. None of the above \_\_\_\_\_

Please return to: Alaska Commission on Postsecondary Education  
Pouch FP  
Juneau, Alaska 99811

SECTIONAL ANALYSIS HOUSE BILL 161

Mary Beth Hilburn

"An Act relating to student loans; and providing for an effective date."

Section 1. AS 14.43.120(f) is amended to increase the interest rate on a student loan from five (5) percent to eight (8) percent.

Section 2. AS 14.43.125 (a) is repealed and reenacted changing the eligibility requirements by requiring a student who meets the established criteria for qualifying and desiring a state loan to apply within six months of graduation, or within a year after graduation, or to establish financial need as determined by regulations to be promulgated by the Post Secondary Commission.

Section 3. AS 14.43.125 adds a new subsection, (c) which states that a recipient of a loan under (A) may continue without demonstrating need if the recipient does not interrupt the course of study for more than a cumulative of two years.

Section 4. AS 14.43.640(b) inserts some technical changes that clarify the intent of the section.

Section 5. AS 14.43.640 adds a new subsection that keeps the rate of interest on teachers loans at five (5) percent unless that loan is in default, then the interest is ten (10) percent.

Section 6. AS 14.43.120: (j), (o) and (p) of this section are repealed.

(j) is the portion of the statute that "forgives" up to 50% of the loan if the borrower returns to the state as a resident for varying periods of time.

(o) is the portion of the statute that nullifies the "forgiveness" clause if the loan is in default since it will no longer be needed.

(p) sets out the requirements of residency to qualify for "forgiveness" since it will no longer be applicable.

Section 7. Requires students presently receiving a student loan to meet the new qualification standards of initial application, or financial need.



Official Business

# Alaska State Legislature

## House

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 1, 1985

TO: Rep. Niilo Koponen  
Rep. Max Gruenberg  
Co-Chairmen  
Health, Education and Social Services Committee

FROM: Rep. John Binkley

Re: House Bill 161 "An Act relating to student loans; and providing for an effective date."

Today I have introduced a bill that will amend certain portions of the Post Secondary Commission program that deals with student loans.

The Alaska Student Loan program established in 1971 to provide aid to Alaska residents in the form of low interest loans, is undeniably the most generous such program in the nation. It has provided loans to over 50,000 Alaskans since the inception of the program. It was intended to allow students to leave Alaska to secure an education, and encourage them to return by providing that a portion of the loan would be forgiven for returning and working in the state, which needed trained people in many areas of expertise. Many students in the early days of the program, once they left the state would not return because of lack of opportunities for suitable employment when they returned.

Conditions have changed substantially since then. In a survey done by the Post Secondary Commission of the grant recipients of 1983-84, most students, regardless of whether they had attended school "outside" or not, intended to return to Alaska to live and work for various reasons. Those reasons most often cited by both groups of students were that Alaska was their home and that it provided economic opportunity. Loan forgiveness was not considered a major factor.

The financial climate of the state has changed also. In 1971, Alaskans' incomes ranked fourth in the nation, twenty percent above the per capita national average. Now we rank number one, and our income, per capita, is forty-seven percent above the national average.

There are and will continue to be students in Alaska who will need as much help as we as a state can provide them. In order to help as

many of those needy students as possible, I feel some changes are mandated in the student loan program as it is now constituted.

In this bill, the interest rate on student loans will be raised from its present five percent to eight percent. The rate on defaulted loans will remain the same.

If a student has not applied for admission to the student loan program within six months prior to graduation, or within one year after graduation from high school, the student must show financial need as established by regulation of the Post Secondary Commission. Once a student has applied for a loan, he/she may defer going to school for a cumulative of two years. This allows a student to travel, work one semester while attending school the other, or to respond to some emergency situation that might arise.

Once students have applied for, and been accepted into the program, they may continue to apply for and receive the loan as long as they remain a full-time student in a career education, associate, baccalaureate or graduate degree program, and will not have to demonstrate need unless they interrupt their studies for more than two cumulative years.

The intent of the change in the statutes is to limit the program to those who are newly graduated as these students usually have not had the opportunity to establish themselves in the work force. It does not seem to be the function of the state to guarantee an education to persons who are financially able to bear the cost of educating themselves.

Eliminating the "forgiveness" portion of the present loan program would allow the Commission to recover more funds that would then be available to provide loans for more Alaskan students, thus assuring that this will truly be a revolving loan program.

I appreciate your consideration of this bill and I will be available to answer questions on it.

Sincerely,



John Binkley  
Representative  
District 25

Attachments

1. Sectional Analysis House Bill 161
2. Survey of 1983-84 Alaska Student Loan Recipients

STATE OF ALASKA 1985 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST

Bill/Resolution No.: HB 161  
Title: Re: Student Loans

Sponsor: Binkley  
Requestor: Binkley  
Date of Request: 2/4/85

FISCAL DETAIL

Agency Affected: Education  
Program Category Affected: Postsecondary  
Education Commission  
BRU, Program or Subprogram(s) Affected:  
Student Loan Revolving Fund

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
<b>OPERATING</b>						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>N.A.</b>					

<b>CAPITAL</b>	<b>N.A.</b>	<b>(14,243.8)</b>	<b>(16,202.9)</b>	<b>(19,083.1)</b>	<b>(23,199.8)</b>	<b>(26,602.7)</b>
----------------	-------------	-------------------	-------------------	-------------------	-------------------	-------------------

<b>REVENUE</b>						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	N.A.	(14,243.8)	(16,202.9)	(19,083.1)	(23,199.8)	(26,602.7)
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

POSITIONS:

FULL-TIME	N.A.	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

See Attached

Prepared By: Kerry D. Romberg Executive Director Phone: 465-2854  
Division: Alaska Commission on Postsecondary Date: 2/5/85  
Education  
Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
Agency: \_\_\_\_\_

Distribution (by Agency preparing fiscal note):

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

7/1/84

HB 161  
Analysis of Fiscal Impact

Assumptions

(1) % of borrowers entering repayment:

<u>Percent</u>	<u>Years after borrowing</u>
0.0	one year
22.4	two years
21.3	three years
21.8	four years
32.3	five years
<u>2.2</u>	six or more years
100.0	

(2) Borrowing averages will be:

FY86	\$4,775	FY89	\$5,725
FY87	\$5,050	FY90	\$5,900
FY88	\$5,400		

(3) Loan volumes are at current projection levels and program is fully funded. Adjustments made will be the result of program changes.

Impacts

(1) Increasing loan interest from 5% to 8% (Section 1 of the bill).

- (a) The increase will not affect loan volume.
- (b) Increased interest will impact the fund over time in the following manner:

Year of Impact	<u>Borrowing Year</u>				Total New Revenue
	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	
FY86	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
FY87	-0-	-0-	-0-	-0-	-0-
FY88	56.7	-0-	-0-	-0-	56.7
FY89	108.2	60.7	-0-	-0-	168.9
FY90	168.5	118.5	62.3	-0-	349.3
FY91	247.9	177.6	121.6	58.5	605.6
FY92	253.5	265.1	182.3	114.2	815.1
FY93	253.5	271.1	272.2	171.1	967.9
FY94	253.5	271.1	278.3	255.5	1,058.4

(2) Eliminating the forgiveness benefits (Section 6 of the bill)

- (a) Elimination of forgiveness will not affect loan volume  
(b) The impact of eliminating forgiveness will be realized over time, in the following manner:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Additional Revenue</u>
FY86	\$ -0-	\$ -0-	\$ -0-
FY87	-0-	-0-	\$ -0-
FY88	378.7	94.7	\$ 473.4
FY89	1,143.2	285.8	\$1,429.0
FY90	1,648.8	412.2	\$2,061.0
FY91	3,814.0	953.5	\$4,767.5

(3) Changing eligibility requirements (Section 2 of the bill)

- (a) Requiring graduation from an Alaska high school would greatly reduce the number of borrowers eligible for the loan program. Based upon high school enrollment projections provided by the Department of Education, and based upon attendance patterns, the potential number of borrowers would be:

<u>Year</u>	<u>Potential New Borrowers</u>	<u>Total Reduction in Borrowers</u>
FY86	3,517	3,977
FY87	3,664	4,278
FY88	3,753	4,581
FY89	4,402	5,031
FY90	4,805	5,288

The fiscal savings of this requirement would be:

<u>Year</u>	<u>Reduction in Borrowers</u>	<u>Savings</u>
FY86	3,977	\$18,990.2
FY87	4,278	\$21,603.9
FY88	4,581	\$24,737.4
FY89	5,031	\$28,802.5
FY90	5,288	\$31,992.2

- (b) Providing aid on a need-based system would allow some borrowers, excluded by the high school requirement, to borrow. We have no good estimate on the number of students qualifying for need on a need-test analysis. The estimate is that only about one in four could qualify. Hence, the reduction in borrowers would be decreased by about 25%

The fiscal impact of the needs analysis would be:

<u>Year</u>	<u>Qualifying Borrowers</u>	<u>Cost</u>
FY86	994	\$ 4,746.4
FY87	1,070	\$ 5,401.0
FY88	1,145	\$ 6,184.4
FY89	1,258	\$ 7,200.6
FY90	1,322	\$ 7,799.8

(c) Therefore, the total fiscal impact of the two factors (high school graduation and a needs test) would be:

<u>Year</u>	<u>Savings</u>
FY86	\$14,243.8
FY87	\$16,202.9
FY88	\$18,553.0
FY89	\$21,601.9
FY90	\$24,192.4

(4) Combining all changes would result in the following:

<u>Year</u>	<u>Savings (including Revenue)</u>
FY86	\$14,243.8
FY87	\$16,202.9
FY88	\$19,083.1
FY89	\$23,199.8
FY90	\$26,602.7

Additional Notes

- (1) Loan processing would be slowed greatly the first year, due to imposing the new requirements and needing to handle all loans a number of times.
- (2) Grandfathering those current borrowers from the needs test requirement was assumed in the projected fiscal impact.
- (3) Additional staff may be required to administer the needs test verification, but this is unknown until the whole process is actually finalized.

Levy-

Not Adopted

A M E N D M E N T

Offered in the HOUSE

TO: CSHB 161(Loans)

Page 1, delete section 1 of the bill and insert:

"\* Section 1. AS 14.43.120(f) is amended to read:

(f) Interest on a loan given under AS 14.43.090 - 14.43.160 is at the rate of five percent a year for the first three years of repayment, and eight percent a year for the remainder unless the loan is in default. Interest on a loan that is in default is 10 percent a year for the period the loan is in default."

## THE ALASKA STUDENT LOAN PROGRAM

### Introduction

The Alaska Student Loan Program is one of the most successful programs offered by the State of Alaska. Its purpose is to provide low-interest loans to Alaskans wishing to pursue education and training at a postsecondary level. The program has grown from serving just over 1,000 Alaskans in 1971-72, to the current 1984-85 level of serving nearly 17,000 Alaskans. The true impact of this program is considerable, that is, the financial assistance, not only to the individual, but to the individual's family; the expanded educational opportunities afforded the citizens of the state; the societal benefits of having a more highly trained and educated citizenry; and the benefits to the state and local communities of having educational institutions and resources available to meet current and future demands. All of these are related, either directly or indirectly, to the availability of student loans. Alaska has chosen to invest in the education of its people. Through these loans, which are in large part repayable to the state, Alaska has committed itself to providing opportunities and access to all those residents seeking postsecondary education.

### Legislative History

The current student loan program was created by the 1971 Alaska State Legislature, however, it was based upon a program which originated in 1968. The 1968 Alaska State Legislature established a program of

Scholarship Loans (Senate Bill 378). These loans were for undergraduate students studying in Alaska at an accredited institution. The students could borrow up to \$500 per year for up to four years. The loans were non-interest-bearing and could be used only to meet the costs of books, tuition, and required fees (excluding room and board). If the student lived in Alaska after ceasing study, the loans were forgiven at a rate of \$500 of loan indebtedness for each six months spent in Alaska.

This program was amended by the 1970 Alaska State Legislature after a good deal of debate (based upon the bill number for the adopted legislation - FCCS SCS CSHB599). Loans now were for up to \$750; could be used at any accredited college or university, could be used for books, tuition, room and board, and required fees; and were eligible for forgiveness at a rate of \$750 of loan indebtedness for each full year spent in Alaska. The loans were still restricted to undergraduate students and were still non-interest-bearing.

In 1971, the Alaska State Legislature once again looked at student loans and passed CSHB415 (Finance) am S. This bill created the true framework for the present student loan program. Under the 1971 program, student loans could be obtained for undergraduate study, graduate study, and career education programs. Undergraduate students and career education students could borrow up to \$2,500 per year and graduate students could borrow up to \$5,000 per year. Students could borrow for up to six years of study. Loans were to bear interest at a rate of 5 percent and could be used for books, tuition, room and board, and required fees. Forgiveness was limited to 40 percent of the total borrowed (plus interest), and was accrued in 10 percent increments for each year of employment in Alaska after the grace year.

The loan program experienced minor amendments on a number of occasions, but remained relatively unchanged until the 1976 Alaska State Legislative Session. During that session, FCCSSB70 passed. Under this bill, the undergraduate and career education borrowing maximum was raised to \$3,000 per year, but the \$5,000 per year maximum for graduate students was maintained.

Subsequent legislatures continued to make relatively minor adjustments to the program, and then in 1981, the last major change occurred. The 1981 Legislature passed FCCSSB120, which raised the borrowing maximum to \$6,000 per year for undergraduate and career education students and to \$7,000 per year for graduate students. The bill also raised the amount of loan forgiveness up to 50 percent of the total borrowed (including interest), and provided that this forgiveness be accrued in 10 percent increments for each year of residence in Alaska after the grace year. Loans under this program could be obtained for up to five years for either undergraduate or graduate study or up to eight years of combined study. This is the program currently being administered by the state.

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

STATEMENT ON ALASKA STUDENT LOANS

The State of Alaska can make no better commitment of resources than investing in the education of its citizens. Direct support of Alaska's public elementary, secondary, and postsecondary school systems is vital to the state's continued growth and development. It is in the best interest of the state to provide access to these educational resources for the citizens of Alaska.

The best method of assuring access and opportunity is through the direct provision of educational services, but this is not always practical or possible, particularly at the postsecondary level. Therefore, the most effective and efficient method in attaining these goals of access and opportunity is through a system of low interest loans which allow the students to choose the educational setting most appropriate for their particular needs.

The Commission endorses and recommends the continuation and full-funding of the Alaska Student Loan Program. Amendments which restrict access by denying loans to groups of Alaskans, either by design or by default, are vigorously opposed.

20 AAC 15.025. PRIORITY RANKING OF APPLICANTS. (a) Upon receipt of a completed application for collegiate study, an applicant will be assigned priority points based upon the schedule set out in (b) of this section.

(b) Each applicant for a loan for a collegiate program will be assigned priority points based upon student status and state of attendance, according to the following schedule:

- (1) student status (during loan period):
  - (A) continuing undergraduate or graduate students with existing Alaska student loans for the previous school year or term.....6 points
  - (B) remaining senior students.....5 points
  - (C) remaining junior students.....4 points
  - (D) remaining sophomore students.....3 points
  - (E) remaining freshman students.....2 points
  - (F) remaining graduate students.....1 point
- (2) students attending colleges or universities in Alaska.....1 point

(c) Completed applications for collegiate study received by February 15th will be grouped together. Complete applications received after February 15th will be grouped in monthly lots. The groups will be processed according to priority point accumulation. Those applicants receiving the highest priority point accumulation within a group will be processed first and those receiving the lowest priority point accumulation within a group will be processed last. In the case of equal point accumulation within a group, priority will be based upon the earliest date of receipt of the completed application.

(d) Completed applications for a non-collegiate postsecondary program will be processed in the order of receipt of the application in the loan office. (Eff. 2/3/77, Reg. 61, am 12/7/80, Reg. 76; am 11/19/83, Reg. 88).

Authority: AS 14.43.105

Authority: AS 14.43.130



## UNIVERSITY OF ALASKA, FAIRBANKS

Fairbanks, Alaska 99701

### A POSITION PAPER: HOUSE BILL NO. 161

As student representatives of the University of Alaska, Fairbanks, the Legislative Council is responsible for bringing the needs of the student body to the state legislature. An issue of the utmost importance to the students of this university is the introduction of House Bill No. 161, relating to the Alaska Student Loan program. The continuation of the current loan regulations is the primary objective of the Legislative Council this year. We feel we must adamantly oppose this bill for the following reasons:

1. Section (1) of this bill would increase the interest rate of student loans from five to eight percent per year. This in itself is not highly objectionable to the student body, although we are not pleased with the prospect. We do, however, believe that the increased interest rate, when combined with the other proposed changes in this legislation, will place serious financial burdens on many students attending this university. We have no strong objections to the increase in the interest rate to ten percent for defaulters either, but do feel that students intentionally defaulting payment on their student loans will continue to do so, and students in default for financial reasons will only plummet further into debt. We on the Legislative Council do share with the Alaska State Legislature their concerns regarding the default rate of the loan program. We have in the past consistently supported legislation designed to increase the fiscal responsibility of the borrower.

2. Section (2) of this bill would make it mandatory that all loan applicants show financial need to be eligible for an initial student loan. ASUA objects to this because most loan programs base financial need solely upon parental income. Many students with financially secure parents would prefer to put themselves through school, as opposed to having their parents pay their way. These students would be rendered ineligible.

3. Section (5) sets a different rate of interest for rural education loans than for other student loans. This would discriminate against all students not wishing to pursue a career in rural education. We find this unacceptable.

4. Section (6) of this bill repeals the forgiveness clause in the current student loan program. It is this section to which we most strongly object. If passed, this would place a much heavier financial burden upon many students needing the loan to

attend school. The forgiveness clause is the one thing that separates the Alaska program from similar student loan programs in other states. It has attracted many Alaskan students back to the state after graduation. The sponsor's statement that this is indeed occurring is the very reason to maintain the status quo and not abolish this most important clause.

It is our opinion that the rural education loan was created to supplement the current student loan program, not replace it. We simply do not see the advantage in sacrificing the benefits of one loan program for another. The Legislative Council and the student body of the University Alaska, Fairbanks, strongly urge Alaska legislators to seriously consider the objections raised in this document. Again, the continuation of the current student loan program is the primary concern of the council, and most definitely, of students all across the great state of Alaska.



UNIVERSITY OF ALASKA, FAIRBANKS

Fairbanks, Alaska 99701

February 11, 1985

John Hartle  
C/O Representative John Sund  
Pouch V  
Juneau, AK 99811

Dear Mr. Hartle:

Thank you for taking the time to discuss the Alaska Student Loan Program with me. I am currently making the final revisions on the ASUA Alaska Student Loan Position Paper, and will either send you a copy through the mail, or have Ken Knox, my legislative assistant, drop one off to you when he is in Juneau the 12th, 13th and 14th of this month.

I am enclosing a copy of an article taken from The Chronicle of Higher Education as it may be of interest to you. The article discusses the default rates of various loan programs for students.

Once again, thank you for discussing the Alaska Student Loan Program with me.

Sincerely yours,

A handwritten signature in cursive script that reads "Darin Hargraves".

Darin Hargraves

ASUA Legislative Coordinator

Enclosure

## Rate of Default Declines on Loans to Students, Varies Widely Among States

WASHINGTON — Default rates under the Guaranteed Student Loan program vary dramatically from state to state—from a high of 12.8 per cent in the District of Columbia to zero in North Dakota in fiscal 1983. Rates rose in 31 states from 1981 to 1983, but dropped in 17 others, a survey has found.

The default rate is the amount of money owed on delinquent loans divided by the total amount of money loaned.

The overall national default rate decreased from 10.17 per cent in 1981 to 9.16 per cent in 1983, while the dollar volume of loans in default grew 77 per cent, from \$867 million in 1981 to \$1.53 billion in 1983, according to a report by Jerry S. Davis, director of research and policy analysis at the Pennsylvania Higher Education Assistance Agency.

"This increasing default volume was expected, as huge volumes of Guaranteed Student Loans made in fiscal 1979, 1980, and 1981 reached maturity," Mr. Davis said.

### Alaska Posts Biggest Decrease

The biggest drop occurred in Alaska, where the default rate went down 5.03 percentage points from 1981 to 1983. States where default rates rose the most in the three-year period include Arizona, California, the District of Columbia, Hawaii, Nebraska, Texas, and West Virginia, with increases ranging from 4 to nearly 13 percentage points.

The survey, which was based on data gathered by the Education Department, is of particular interest because paying off defaults in the Guaranteed Student Loan program costs the government about \$800-million a year.

Budget pressures are forcing increased scrutiny of the causes of, and possible solutions to, the problems of student loan defaults.

But the survey indicates that the default problem is not as bad as many people believe it to be, said Mr. Davis.

"Discussions of default rates and soaring default volumes and their costs to the Guaranteed Student Loan Program all too often treat these problems as if they were monolithic among all states," he said.

"The default problem is not the same for all states. These differences suggest that remedies for the problem cannot be couched in terms of national or program-wide solutions, but must recognize the different situations among the states," he continued.

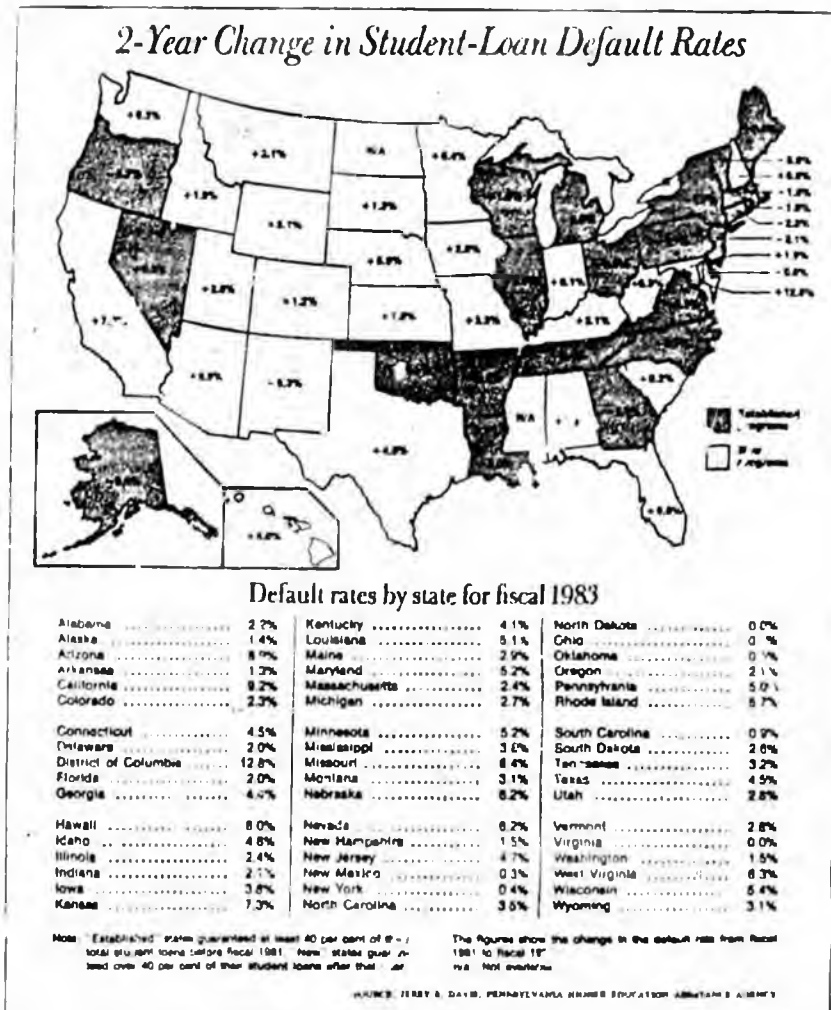
States with long-established student-loan-guarantee agencies generally have better default rates than states with newer agencies. Mr. Davis called agencies "established" if they guaranteed at least 40 per cent of their total loans before fiscal 1981; "new" states guaranteed over 40 per cent since that year.

Default rates dropped in 17 of the 23 states that have "established" guarantee agencies.

### Increases in 31 States

State guarantee agencies insure lenders who make Guaranteed Student Loans against default, and the federal government in turn insures state agencies for the loans they back.

Default rates increased in 31 states, largely because they had new



agencies with limited experience insuring student loans, Mr. Davis said.

Mr. Davis said the decline in the overall national default rate was due primarily to lower rates in states that guarantee the largest volumes of loans, including Illinois, Massachusetts,

New Jersey, New York, and Pennsylvania.

The number and dollar value of loans increased significantly from 1981 to 1983, with a total of \$11.7-billion in such loans made during 1982 and 1983, the report says.

"Thus the recent huge increases in numbers of loan dollars guaranteed and reaching maturity has generated a not unexpected large increase in default loan dollar volumes," Mr. Davis said in his report.

—DONNA ENDELGAU

Increasing interest on loans from 5% to 8%  
after the first 36 months of repayment

Year of Impact	Borrowing Year				Total New Revenue
	FY 86	FY 87	FY 88	FY 89	
FY 86	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
FY 87	-0-	-0-	-0-	-0-	-0-
FY 88	-0-	-0-	-0-	-0-	-0-
FY 89	-0-	-0-	-0-	-0-	-0-
FY 90	-0-	-0-	-0-	-0-	-0-
FY 91	39.7	-0-	-0-	-0-	39.7
FY 92	75.7	42.5	-0-	-0-	118.2
FY 93	118.0	83.0	43.6	-0-	244.6
FY 94	173.5	124.3	85.1	41.0	423.9
FY 95	177.5	185.6	127.6	79.9	570.6

# University students protest changes in loan program

## Older students say bill discriminates against them

by Beth Cunningham  
Times Writer

Anchorage university students who fear their college careers could be cut short because of a bill now moving through the legislature that would reduce financial aid, are getting several chances to voice their opposition to the legislation.

The first of those meetings came last week at the University of Alaska—Anchorage when a group of students gathered to tell Rep. John Binkley, R-Bethel, that a bill to reduce student loan funding discriminates against older students.

In a legislative teleconference at 3:30 p.m. Tuesday, students and others statewide will have an opportunity to again voice their opinions on the bill.

At UAA last week, about 40 Anchorage and Anchorage Community College students gathered at the schools' joint campus center as Binkley explained that the state's generous student loan program needs a restructuring that would eliminate some now-eligible students.

Binkley's bill would make major changes in the Alaska Student Loan program by allowing only recent high school graduates to receive state loans with no stipulations. Full-time university students who have been out of high school longer than a year would have to prove financial need to get any money.

Older students who would be affected by the change argued last week that the legislation unfairly favors recent high school graduates. "Some of us older students would have to drop out," one woman said. "Then what are we going to do? We'll have to pay back the loans we already have, but we won't have a college degree."

The bill would completely change the focus of the student loan program, said Roberta Goughnour, executive director of the UAA student association. It would no longer benefit non-traditional students, and that's what most of the older students object to.

"Many of us wouldn't be here if it weren't for the loan program," said Goughnour, who is 30. "And if

you don't stay in school, you still have to pay back the loan."

The average age of an ACC student is 27 years, said Loretta Seppanen, statistician with the college. "I think that legislation would affect a lot of our students."

More than 700 — about 40 percent — of UAA's 1,781 full-time students are over age 25, said Pamela Bronson of the university's Institutional Research department.

Binkley's bill also would do away with the so-called "forgiveness" section of the ASL program, which forgives 10 percent of a student's repayment to the state every year they live and work in Alaska after graduating from college. Students can receive up to 50 percent for five years.

By striking the forgiveness clause from the student loan program, students would have to repay the entire loan plus interest. Binkley's bill also would increase the interest rate from 5 percent to 8 percent.

Some students complained last week that the change would take away what the state promised. "I planned my future according to the loan program," one man told Binkley.

"With the revenue picture changing rapidly, the state has to take a hard look at loan programs," Binkley said. The representative predicted his bill would save \$14.2 million the first year.

The state's loan program was cut this year, from an appropriated \$134 million to \$100 million, and that all loan programs subsequently had to be cut back 15 percent, he said. The ASL program was given \$64 million for fiscal year 1986, half the total amount budgeted for state loans.

A 15-percent cutback automatically would eliminate about 3,500 students from the loan program, Binkley said.

"What I did by proposing this bill is try to target who those 3,500 student who don't get loans might be," he said.

If no legislation is passed, students would be excluded on a first-come, first-served basis.

## The blotter

by Earl Swift  
Times Writer

### Insults prompt attack with bat

Anchorage man and his 17-year-old

boyfriend to exit the store and confront the man.

Both men apparently threatened each other repeatedly while standing nose to nose, officers

Police were still investigating the incident this morning, and no arrests had been made.

Liquor stores robbed



UNIVERSITY OF ALASKA, FAIRBANKS

Fairbanks, Alaska 99701

February 11, 1985

John Hartle  
C/O Representative John Sund  
Pouch V  
Juneau, AK 99811

Dear Mr. Hartle:

Thank you for taking the time to discuss the Alaska Student Loan Program with me. I am currently making the final revisions on the ASUA Alaska Student Loan Position Paper, and will either send you a copy through the mail, or have Ken Knox, my legislative assistant, drop one off to you when he is in Juneau the 12th, 13th and 14th of this month.

I am enclosing a copy of an article taken from The Chronicle of Higher Education as it may be of interest to you. The article discusses the default rates of various loan programs for students.

Once again, thank you for discussing the Alaska Student Loan Program with me.

Sincerely yours,

A handwritten signature in cursive script that reads "Darin Hargraves".

Darin Hargraves

ASUA Legislative Coordinator

Enclosure

## Rate of Default Declines on Loans to Students, Varies Widely Among States

WASHINGTON—Default rates under the Guaranteed Student Loan program vary dramatically from state to state—from a high of 12.8 per cent in the District of Columbia to zero in North Dakota in fiscal 1983. Rates rose in 31 states from 1981 to 1983, but dropped in 17 others, a survey has found.

The default rate is the amount of money owed on delinquent loans divided by the total amount of money loaned.

The overall national default rate decreased from 10.17 per cent in 1981 to 9.16 per cent in 1983, while the dollar volume of loans in default grew 77 per cent, from \$867-million in 1981 to \$1.33-billion in 1983, according to a report by Jerry S. Davis, director of research and policy analysis at the Pennsylvania Higher Education Assistance Agency.

"This increasing default volume was expected, as huge volumes of Guaranteed Student Loans made in fiscal 1979, 1980, and 1981 reached maturity," Mr. Davis said.

### Alaska Posts Biggest Decrease

The biggest drop occurred in Alaska, where the default rate went down 5.03 percentage points from 1981 to 1983. States where default rates rose the most in the three-year period include Arizona, California, the District of Columbia, Hawaii, Nebraska, Texas, and West Virginia, with increases ranging from 4 to nearly 13 percentage points.

The survey, which was based on data gathered by the Education Department, is of particular interest because paying off defaults in the Guaranteed Student Loan program costs the government about \$800-million a year.

Budget pressures are forcing increased scrutiny of the causes of, and possible solutions to, the problems of student-loan defaults.

But the survey indicates that the default problem is not as bad as many people believe it to be, said Mr. Davis.

"Discussions of default rates and soaring default volumes and their costs to the Guaranteed Student Loan Program all too often treat these problems as if they were monolithic among all states," he said.

"The default problem is not the same for all states. These differences suggest that remedies for the problem cannot be couched in terms of national or program-wide solutions, but must recognize the different situations among the states," he continued.

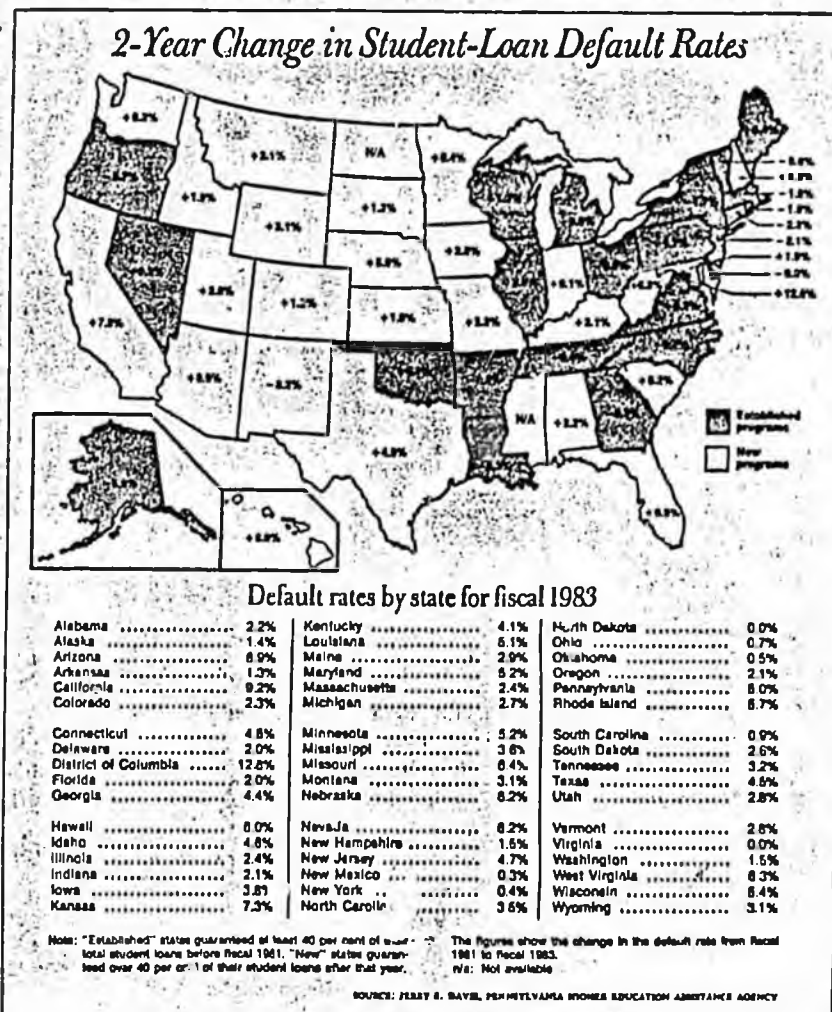
States with long-established student-loan-guarantee agencies generally have better default rates than states with newer agencies. Mr. Davis called agencies "established" if they guaranteed at least 40 per cent of their total loans before fiscal 1981; "new" states guaranteed over 40 per cent since that year.

Default rates dropped in 17 of the 23 states that have "established" guarantee agencies.

### Increases in 31 States

State guarantee agencies insure lenders who make Guaranteed Student Loans against default, and the federal government in turn insures state agencies for the loans they back.

Default rates increased in 31 states, largely because they had new



agencies with limited experience insuring student loans, Mr. Davis said.

Mr. Davis said the decline in the overall national default rate was due primarily to lower rates in states that guarantee the largest volumes of loans, including Illinois, Massachusetts, New Jersey, New York and Pennsylvania.

The number and dollar value of loans increased significantly from 1981 to 1983, with a total of \$11.7-billion in such loans made during 1982 and 1983, the report says.

"Thus the recent huge increases in numbers of loan dollars guaranteed and reaching maturity has generated a not unexpected large increase in default loan dollar volumes," Mr. Davis said in his report.

—DONNA ENGELDAU

Dear Sir,

I am a mother of five who interrupted  
his college education to raise my family.  
For ten years I have yearned to return to  
school when my youngest entered first grade.  
Paying the bills for my family has not let  
me put money aside, so I am interested  
in the student loan program I was  
delighted with the forgiveness clause in  
particular because it provided a substantial  
inducement for me to practice my career  
in my own favorite state, and at the  
same time relieve the awful financial  
burden of higher education.

I know many people must feel the  
same about leaving the student loan  
program intact. Education ensures an  
independent and well balanced  
citizensry. I am against House bill  
161, and would like the forgiveness  
clause retained.

Thank you,

Would you please circulate  
this letter to other Representatives on your  
Health & Social Services Committee?

Kelli Mahoney  
907 874223  
Wasilla, AK 99687

STATE OF ALASKA

**STUDENT  
FINANCIAL AID  
PROGRAMS**

**ANNUAL REPORT  
1983-1984**

Alaska Commission on Postsecondary Education  
Pouch FP, 400 Willoughby Avenue  
Juneau, Alaska 99811



STATE OF ALASKA

S T U D E N T  
F I N A N C I A L A I D  
P R O G R A M S  
ANNUAL REPORT  
1983-84

Document Number 85-1

Alaska Commission on Postsecondary Education  
Pouch EP, 400 Willoughby Avenue  
Juneau, Alaska 99811

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

Mr. Gordon Evans, Chairman (Juneau)  
Ms. Patricia Abney (Anchorage)  
Ms. Ruth Burnett (Fairbanks)  
Ms. Patricia Clark (Fairbanks)  
Mr. Lee Demmert (Sitka)  
Ms. Susan Greene (Talkeetna)  
Ms. Ernestine Griffin (Sitka)  
Mr. Richard Helms (Anchorage)  
Senator Joe Josephson (Anchorage)  
Representative Terry Martin (Anchorage)  
Ms. Barbara Thompson (Juneau)  
Mrs. Blanche Walters (Nome)  
Mr. Walter Ward (Soldotna)

COMMISSION OFFICE

Dr. Kerry D. Romesburg  
Executive Director  
Alaska Commission on Postsecondary Education  
Pouch FP, 400 Willoughby Avenue  
Juneau, Alaska 99811  
(907) 465-2854, 465-2962

ALASKA STUDENT LOAN PROGRAM

Ms. Billie Jean Hall  
Loan Awards Officer

Ms. Julie Bennett  
GSL/DP Liaison

Ms. Linda Landvik  
Repayment Officer

Ms. Carol Barril  
Collections Officer

Mr. Kevin Hanon  
Accounting Supervisor

Ms. Peggy Corazza  
Records Officer

WICHE STUDENT EXCHANGE AND STATE EDUCATIONAL INCENTIVE GRANT PROGRAMS

Ms. Jane Byers Maynard  
Director, Special Programs

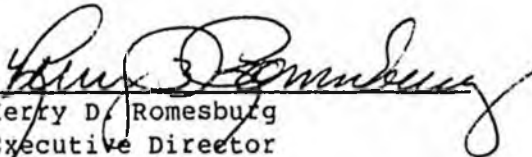
Ms. Robin Stephens  
Program Assistant

PREFACE

The Annual Report on Alaska Student Financial Aid Programs for 1983-84 is hereby transmitted to the Governor and the Legislature of the State of Alaska. The Student Loan Program is administered by the Alaska Commission on Postsecondary Education with advice and guidance of the Student Financial Aid Advisory Committee. Membership of this advisory committee for 1983-84 included:

Ms. Patricia Abney, Chairman (Anchorage)  
Ms. Patricia Clark (Fairbanks)  
Ms. Ida Greiner (Fairbanks)  
Ms. Carol Johnsen (Sitka)  
Ms. Marie MacKenzie (Anchorage)  
Dr. Ed Nichols (Anchorage)

The Commission and staff wish to express their gratitude for the work of this advisory committee.

  
Kerry D. Romesburg  
Executive Director

August 1984  
(Date)

TABLE OF CONTENTS

	<u>Page</u>
LIST OF TABLES . . . . .	v
LIST OF FIGURES . . . . .	vi
INTRODUCTION . . . . .	1
ALASKA STUDENT LOAN PROGRAM	
PROGRAM SUMMARY . . . . .	2
LOAN AWARD AMOUNTS . . . . .	3
UNDERGRADUATE LOANS . . . . .	6
GRADUATE LOANS . . . . .	11
LOAN REPAYMENTS . . . . .	16
DEFAULT . . . . .	18
STATISTICAL DATA . . . . .	18
WICHE STUDENT EXCHANGE PROGRAM	
EXCHANGE FIELDS . . . . .	19
SUPPORT FEES . . . . .	20
PARTICIPATION RATES . . . . .	20
STATE EDUCATIONAL INCENTIVE GRANT (SEIG) PROGRAM	
PARTICIPATION RATES . . . . .	23
APPENDIX: ALASKA STUDENT LOAN PROGRAM - ADDITIONAL DATA . . . . .	25

LIST OF TABLES

<u>Table</u>		<u>Page</u>
1	MEAN LOAN AMOUNT PER RECIPIENT BY IN-STATE/OUT-OF-STATE STUDENT LEVEL, 1980-81 through 1983-84 . . . . .	5
2	TEN TOP STATES OF ATTENDANCE FOR ALASKANS WITH UNDERGRADUATE LOANS, 1979-80 through 1983-84 . . . . .	7
3	IN-STATE/OUT-OF-STATE ATTENDANCE BY STUDENT LEVEL, 1982-83 through 1983-84 . . . . .	9
4	TEN TOP STATES OF ATTENDANCE FOR ALASKANS WITH GRADUATE LOANS, 1979-80 through 1983-84 . . . . .	13
5	DISTRIBUTION OF BORROWERS BY FOREIGN COUNTRY OF ATTENDANCE, 1983-84 . . . . .	15
6	ANNUAL DEFAULT RATES OF ALASKA STATE STUDENT LOANS, 1971-72 through 1983-84 . . . . .	18
7	WICHE STUDENT EXCHANGE PROGRAM SUPPORT COSTS, 1976-77 through 1983-84 . . . . .	20
8	WICHE EXCHANGE STUDENTS BY FIELD, 1977-78 through 1983-84 . . . . .	21
9	WICHE SUPPORT COSTS BY FIELD OF STUDY, 1983-84 . . . . .	22
10	DISTRIBUTION OF STUDENTS RECEIVING STATE EDUCATIONAL INCENTIVE GRANTS, 1978-79 through 1983-84 . . . . .	24
11	TWELVE-YEAR SUMMARY, 1971-72 through 1983-84 . . . . .	26
12	YEARLY SUMMARY OF UNDERGRADUATE STUDENT LOANS . . . . .	27
13	YEARLY SUMMARY OF GRADUATE STUDENT LOANS . . . . .	28
14	YEARLY SUMMARY OF ALL STUDENT LOANS . . . . .	29
15	MEAN LOAN AMOUNT PER RECIPIENT, BY IN-STATE/OUT-OF-STATE INSTITUTIONAL ATTENDANCE . . . . .	30
16	DISTRIBUTION OF ALASKA STATE LOANS FOR STUDENTS ATTENDING IN ALASKA, 1983-84 Loans . . . . .	31
17	INSTITUTIONS AT WHICH AT LEAST FIFTY ALASKA STUDENT LOAN BORROWERS ATTENDED, 1983-84 Loans . . . . .	33

LIST OF FIGURES

<u>Figure</u>		<u>Page</u>
1	MEAN LOAN AMOUNT FOR ALL LOANS IN-STATE, OUT-OF-STATE, AND COMBINED . . . . .	4
2	PERCENT OF UNDERGRADUATE LOANS USED IN ALASKA . . . . .	8
3	GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING STATE LOANS FOR UNDERGRADUATE EDUCATION IN 1983-84 . . . . .	10
4	PERCENT OF GRADUATE LOANS USED IN ALASKA . . . . .	12
5	GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING STATE LOANS FOR GRADUATE EDUCATION IN 1983-84 . . . . .	14
6	STUDENT LOAN COLLECTIONS AND FORGIVENESS BENEFITS . . . . .	17

## INTRODUCTION

The State of Alaska provides student financial assistance for postsecondary study through three programs: the Alaska Student Loan Program, the WICHE Student Exchange Program, and the State Educational Incentive Grant (SEIG) Program. The three programs provide Alaskans with access to postsecondary education which otherwise might not be available. Through the loan and grant programs direct financial assistance is awarded to students in an effort to remove or lessen financial barriers to postsecondary education. Through the student exchange program, Alaskans have access to graduate, professional, and highly specialized fields which are unavailable in-state.

This report briefly summarizes each of these programs and the participation levels for 1983-84. The Student Loan Program will be discussed first, then the WICHE Student Exchange Program, and finally, the Incentive Grant Program.

## ALASKA STUDENT LOAN PROGRAM

The Alaska Student Loan Program is one of the most successful programs offered by the State of Alaska. Its purpose is to provide low-interest loans to Alaskans wishing to pursue education and training at a postsecondary level. The program has grown from serving just over 1,000 Alaskans, in 1971-72, to the current 1983-84 level of serving nearly 15,000 Alaskans.

The Alaska Student Loan Program had its origin in a program of scholarship loans established by the 1968 Alaska State Legislature. This program was amended in 1970 and completely restructured in 1971, when the Legislature established the loan program generally as it exists at present. In the twelve years of operation since then, nearly 63,000 student loans have been awarded to Alaskan residents, for a total of nearly \$1.5 million.

Educational loans of up to \$6,000 and \$7,000 per year for undergraduate and graduate study, respectively, are provided to eligible state residents. These loans, to be used only to offset the costs of tuition, room, board, and books, offer the borrower a ten-year repayment period at an annual interest rate of five percent. The loans may be used for full-time attendance at any accredited or approved college, university, or vocational-technical program. An incentive of up to fifty percent cancellation is offered to those borrowers who reside in Alaska after completion of their programs of study.

### Program Summary

During the 1983-84 school year over 16,000 loans were awarded, and 14,785 were finalized and used for postsecondary attendance. Of these 14,785 loans, 50.5 percent were for attendance in Alaska, and 49.5 percent were for attendance out-of-state.

Undergraduate loans continue to dominate the loan volume, with only 13.2 percent of the 1983-84 loans going for graduate study. The largest single group of loans were for freshman borrowers, who accounted for 27.7 percent of all the 1983-84 loans.

Alaskans use these loans for study throughout the United States, and in a number of foreign countries. During the 1983-84 loan year, students from Alaska used state loans for attendance in every state in the Union and in seventeen foreign countries. The most frequent choice continues to be Alaska by more than a four-to-one margin over any other state.

### Loan Award Amounts

The average loan award continued to rise slightly in 1983-84, following the dramatic rise in 1981-82 when the borrowing maximums were raised. For 1983-84, an undergraduate average loan was \$4,171 while the average graduate loan was \$5,097. Out-of-state student loans continue to be higher, on the average, than in-state loans, due largely to non-resident tuition fees. This is graphically presented in Figure 1. It is anticipated that the trend toward higher average loans will continue in the years ahead as tuition rates continue to increase.

Table 1 contains average loan amounts by student level for the last three years, 1981-82, 1982-83, and 1983-84. In general all loans, regardless of level, have steadily increased, for students attending in-state, and have leveled, or even dropped slightly, for those attending out-of-state. The out-of-state borrower averages a higher loan amount than the in-state borrower for every classification other than vocational.

FIGURE 1  
 MEAN LOAN AMOUNT FOR ALL LOANS  
 IN-STATE, OUT-OF-STATE, AND COMBINED

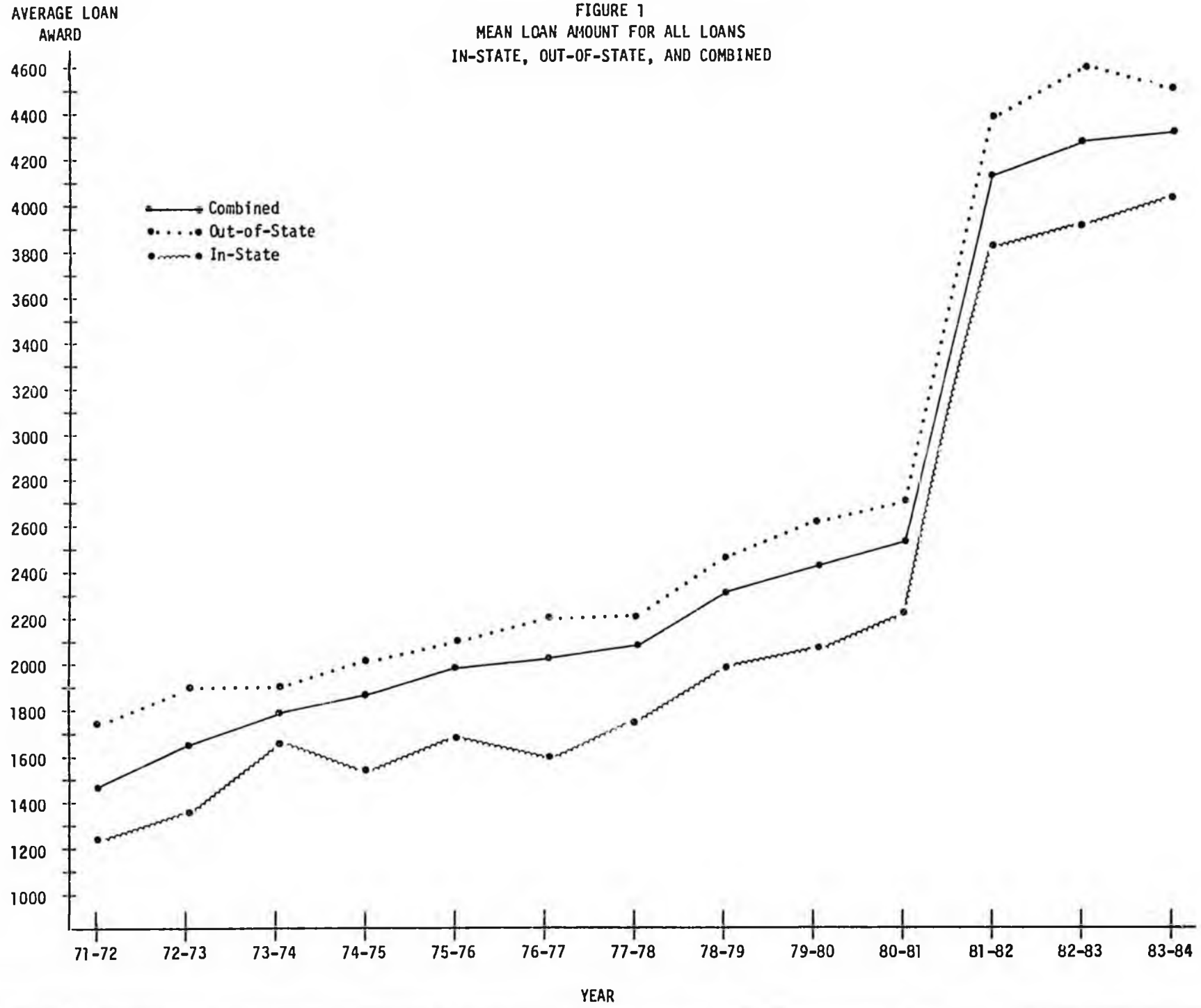


TABLE 1  
 MEAN LOAN AMOUNT PER RECIPIENT BY  
 IN-STATE/OUT-OF-STATE AND STUDENT LEVEL  
 1980-81 thru 1983-84

Student Level	In Alaska			Out-of-State			Combined		
	81-82	82-83	83-84	81-82	82-83	83-84	81-82	82-83	83-84
Freshman	\$3,485	\$3,236	\$3,275	\$3,985	\$4,322	\$4,166	\$3,727	\$3,739	\$3,681
Sophomore	3,782	3,693	3,687	4,056	4,371	4,377	3,925	4,046	4,045
Junior	3,758	3,705	3,889	4,200	4,503	4,541	4,000	4,143	4,249
Senior	3,722	3,745	3,920	4,041	4,480	4,450	3,897	4,140	4,180
Vocational	4,645	5,076	5,224	4,925	4,769	4,544	4,812	4,996	5,028
Undergraduate	3,751	3,847	3,992	4,180	4,432	4,377	3,977	4,122	4,171
Graduate	4,630	4,454	4,527	5,401	5,336	5,257	5,218	5,129	5,097
TOTAL	\$3,796	\$3,872	\$4,013	\$4,345	\$4,558	\$4,502	\$4,098	\$4,213	\$4,255

### Undergraduate Loans

The number of undergraduate students receiving loans under the state program has increased greatly over the past twelve years. In 1971-72, 990 undergraduates received assistance, while in 1983-84, the number has grown to 13,449. Of these 13,449 loan recipients, 53.3 percent used their loans for attendance in Alaska, and 46.7 percent used their loans out-of-state. The states most frequently chosen by undergraduates in 1983-84 are presented in Table 2.

The consistency of student choice over the past few years is quite high. Alaska remains the most frequent choice for undergraduate attendance this year, as it has been in the past, followed by Washington, Oregon and California.

The average loan amount increased in almost every case, with the most pronounced increase in loans for attendance in Arizona, Colorado, and Alaska. Hawaii continues to be one of the states for which undergraduate loan amounts are the lowest, (\$3,426), and two of the top ten states of attendance have lower average loans than does Alaska.

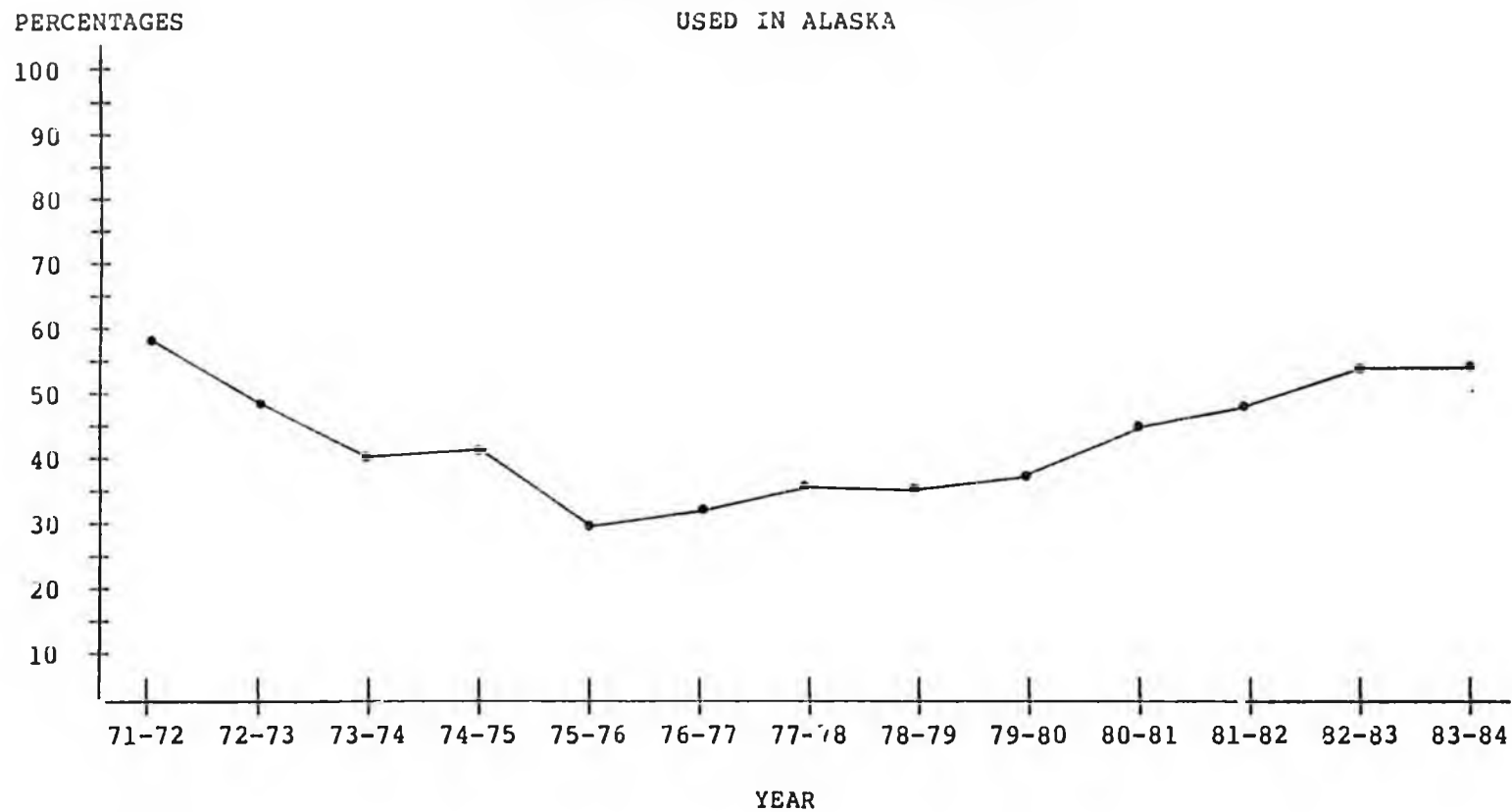
The percent of undergraduates using their loans for attendance in Alaska increased slightly this year. In fact, as can be seen in Figure 2, the 1983-84 rate of 53.3 percent is the highest in-state rate since 1971-72.

The increasing drawing power of Alaskan institutions is hypothesized to be the result of a number of factors including the maturation of Alaska's schools and the accompanying wider array of offerings, as well as the increased cost of attendance at schools outside of Alaska.

TABLE 2  
 TEN TOP STATES OF ATTENDANCE  
 FOR ALASKANS WITH  
 UNDERGRADUATE LOANS  
 1978-79 through 1983-84

STATE	NUMBER					AVERAGE LOAN				
	79-80	80-81	81-82	82-83	83-84	79-80	80-81	81-82	82-83	83-84
Alaska	1,245	2,606	4,225	6,305	7,175	\$1,983	\$2,137	\$3,751	\$3,847	\$3,992
Washington	479	700	1,045	1,314	1,549	2,394	2,495	4,091	4,610	4,511
Oregon	372	500	746	908	949	2,360	2,506	4,242	4,756	4,550
California	191	280	373	556	664	2,517	2,519	4,268	4,858	4,919
Colorado	157	151	280	372	408	2,549	2,502	4,584	5,050	5,233
Arizona	104	142	205	352	404	2,261	2,413	4,344	4,444	4,717
Idaho	94	125	199	265	253	2,217	2,407	3,826	3,866	4,002
Hawaii	89	79	160	258	248	1,888	2,076	3,463	3,514	3,426
Utah	53	65	153	202	209	2,091	2,029	3,564	3,664	3,763
Texas	45	93	114	153	187	2,219	2,331	4,003	4,189	4,227
Remaining										
U.S.	613	1,000	1,442	1,184	1,369	N.A.	N.A.	N.A.	N.A.	N.A.
Foreign	N.A.	N.A.	N.A.	26	34	N.A.	N.A.	N.A.	4,101	4,234
<b>TOTAL</b>	<b>3,448</b>	<b>5,751</b>	<b>8,935</b>	<b>11,879</b>	<b>13,449</b>	<b>\$2,393</b>	<b>\$2,319</b>	<b>\$3,977</b>	<b>\$4,139</b>	<b>\$4,171</b>

FIGURE 2  
PERCENTAGE OF UNDERGRADUATE LOANS  
USED IN ALASKA



The wide geographic distribution of Alaskans pursuing undergraduate education is shown most vividly in Figure 3, with Alaskan undergraduates attending institutions in every state of the Union. The predominance of the West and Northwest is quite evident, with only Alaska, Washington, Oregon, California, Colorado, Arizona, Idaho, Hawaii and Utah, receiving over 200 Alaskan undergraduates on state loans. Of the thirteen western states comprising the WICHE compact (Western Interstate Commission for Higher Education), only Wyoming received fewer than 35 Alaska undergraduates on state loans. In fact, the WICHE states account for 90.1 percent of the undergraduate loan recipients.

Under the state loan program, Alaskans may pursue their educational goals in whatever setting seems most appropriate for them. The freedom of choice which this provides is quite evident by the wide geographic distribution of our students.

As can be seen in Table 3, Alaska attendance accounts for a very high percentage of vocational borrowers (71.2% in 1983-84). Also, more than half (54.4%) of the freshman borrowers elected to attend in Alaska in 1983-84. There seems to be an increased tendency toward attendance out-of-state as student level increases, however this could be due to a number of factors including the changing attendance patterns the last few years and the propensity to remain in school rather than stop-out or drop-out. Hence, caution should be used in drawing inferences from these data.

TABLE 3  
IN-STATE/OUT-OF-STATE ATTENDANCE  
BY STUDENT LEVEL  
1982-83 through 1983-84

STUDENT LEVEL	1982-83				1983-84			
	Alaska		Out-of-State		Alaska		Out-of-State	
	No.	%	No.	%	No.	%	No.	%
Freshman	2,041	53.8	1,756	46.2	2,229	54.4	1,868	45.6
Sophomore	1,255	47.9	1,364	52.1	1,331	48.1	1,439	51.9
Junior	871	45.0	1,063	55.0	956	44.8	1,176	55.2
Senior	793	46.3	918	53.7	850	44.5	1,060	55.5
Vocational	1,334	74.0	468	26.0	1,809	71.2	731	28.8
TOTAL	6,294	53.1	5,569	46.9	7,175	53.3	6,274	46.7



### Graduate Loans

The number of Alaskans receiving loans for graduate study has increased nearly twelve fold since the program began in 1971-72. This year 1,336 students received assistance for the pursuit of graduate study. Of these 1,336, 78.1 percent used their loans for attendance outside of Alaska, while 21.9 percent used them for attending school in-state. The percentage of graduate loan recipients attending school in Alaska has been relatively stable the last few years, after decreasing steadily from 1971-72 through 1977-78. This trend is presented in Figure 4, and is probably largely due to the increased availability of programs in Alaska.

The states most frequently chosen by graduate students from Alaska in 1983-84 are presented in Table 4. Again, as with undergraduates, the students' preference is quite stable.

The average loan award for 1983-84 increased for some states and decreased for others, with the largest increases for students attending graduate institutions in Hawaii and California.

Alaskans pursuing graduate educational goals are also distributed quite widely across the nation, with Alaskan graduate loan recipients attending institutions in all but four of the fifty states. The predominance of the West, and particularly the West Coast, is readily apparent in Figure 5.

Only Alaska, Washington, California, and Oregon received more than 100 Alaskan graduate students on state loans. The thirteen states comprising the WICHE compact account for 74.5 percent of all the graduate Alaskan loan recipients for 1983-84.

FIGURE 4  
PERCENT OF GRADUATE LOANS  
USED IN ALASKA

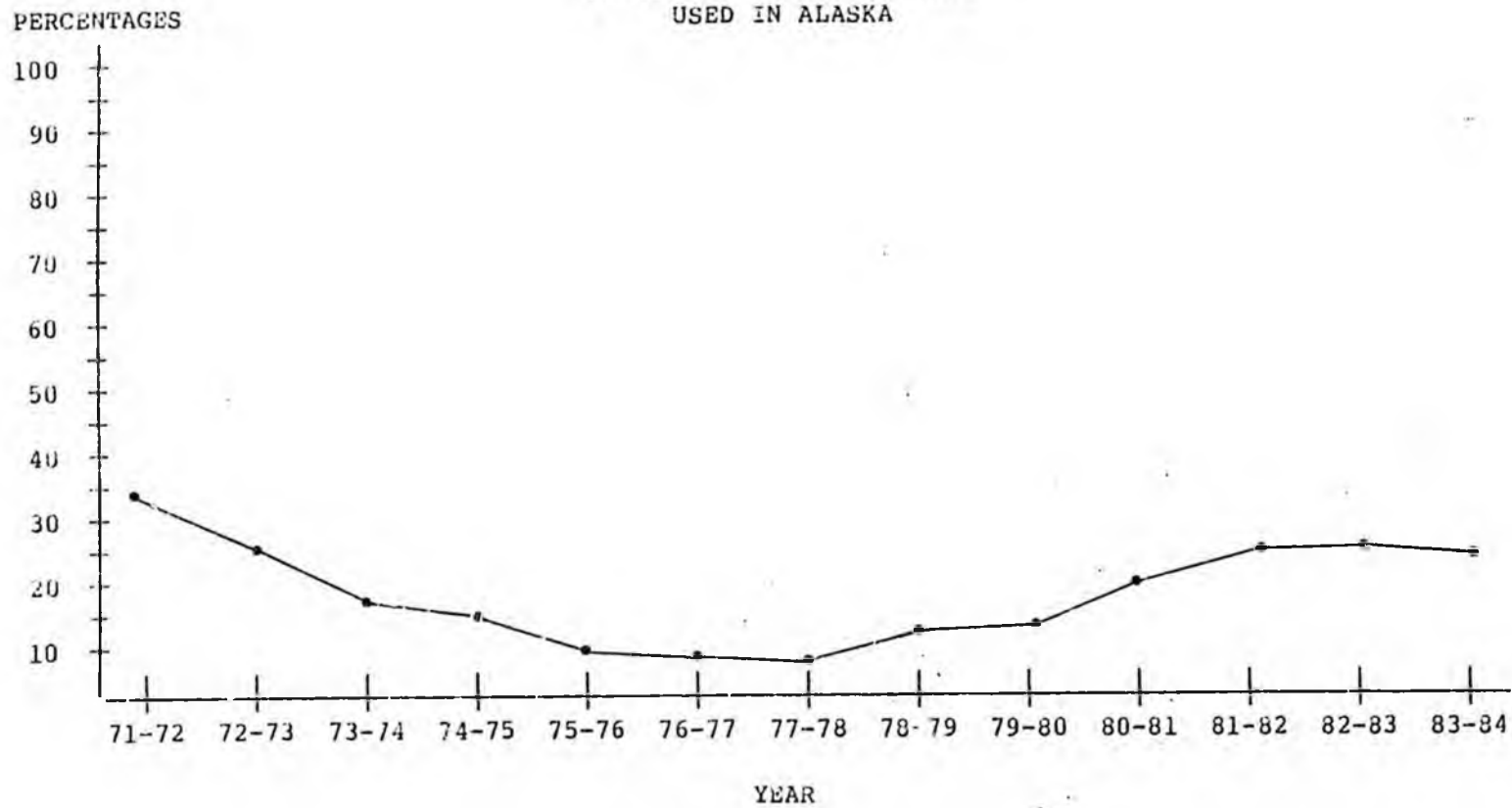


TABLE 4  
TEN TOP STATES OF ATTENDANCE  
FOR ALASKANS WITH  
GRADUATE LOANS  
1979-80 through 1983-84

STATE	NUMBER					AVERAGE LOAN				
	79-80	80-81	81-82	82-83	83-84	79-80	80-81	81-82	82-83	83-84
Alaska	58	127	229	276	292	\$2,906	\$3,086	\$4,630	\$4,454	\$4,527
California	73	90	113	183	237	3,441	3,937	5,693	5,599	5,783
Washingt	77	129	148	161	164	3,847	3,848	5,740	5,447	5,535
Oregon	49	75	91	127	143	3,526	4,011	5,103	5,351	4,682
Colorado	18	19	27	35	42	3,972	4,149	5,303	5,369	5,210
Massachusetts	9	18	25	32	33	3,911	4,953	5,927	6,217	6,404
Arizona	9	17	18	29	32	3,586	3,041	4,408	4,822	4,950
Hawaii	8	19	21	26	39	2,988	3,393	5,079	3,909	4,457
Texas	3	10	20	23	28	3,600	3,204	4,445	4,830	4,971
Utah	4	7	10	22	28	3,200	3,426	4,858	4,710	4,644
Remaining										
U.S.	162	198	261	265	284	N.A.	N.A.	N.A.	N.A.	N.A.
Foreign	N.A.	N.A.	N.A.	14	23	N.A.	N.A.	N.A.	5,084	4,410
TOTAL	470	709	963	1,179	1,336	\$3,646	\$3,746	\$5,218	\$5,151	\$5,097

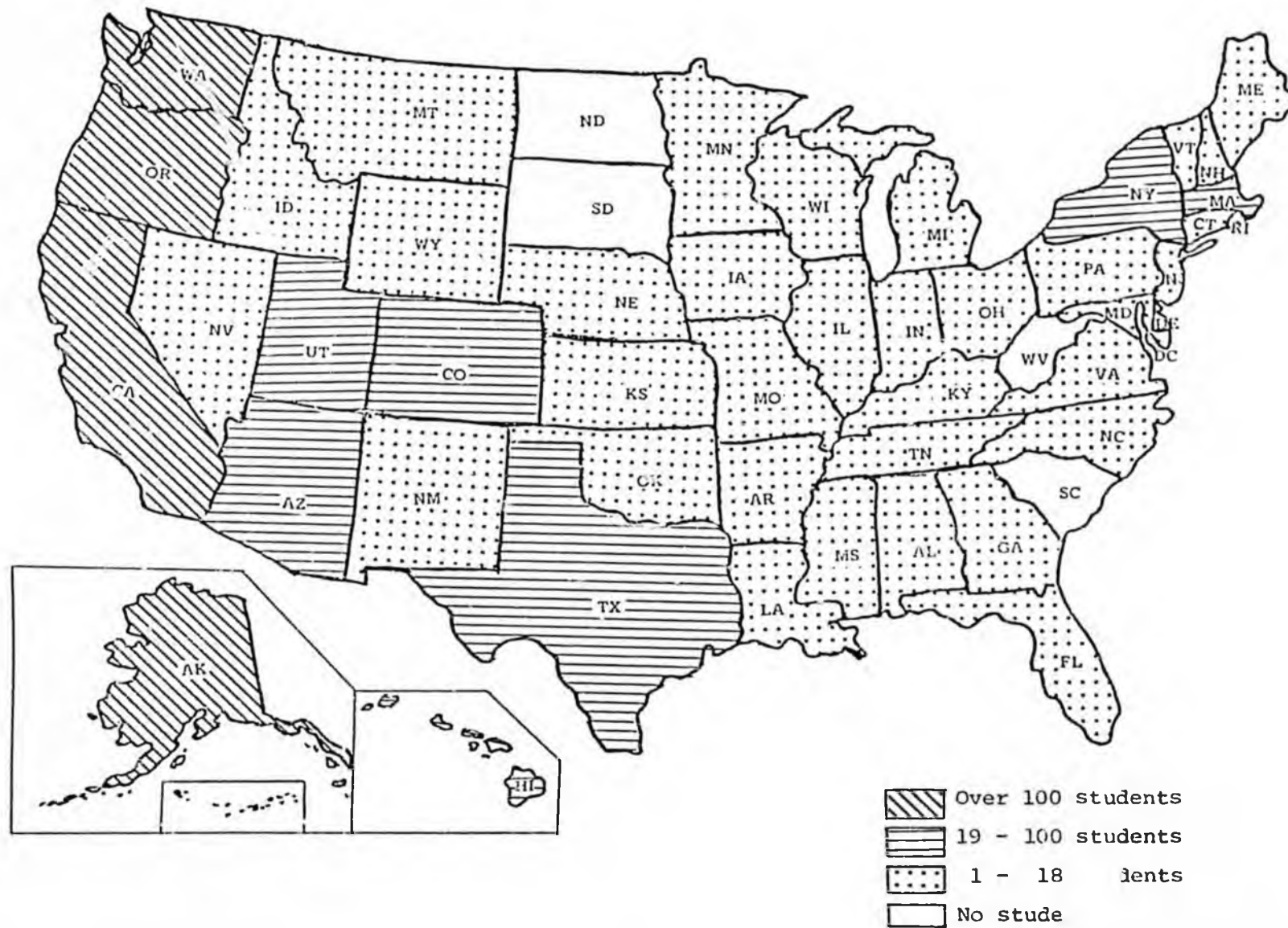


FIGURE 5  
GEOGRAPHIC DISTRIBUTION OF ALASKANS UTILIZING  
STATE LOANS FOR GRADUATE EDUCATION IN 1983-84