

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

8371 SENATE LABOR & COMMERCE

FISCAL NOTE

State of Alaska
1994 Legislative Session

BILL NO. SB 70

Title: An Act establishing a loan guarantee and interest subsidy program for Assistive Technology. Department Affected: Education
BRU: Vocational Rehabilitation
Component: Assistive Technology

Sponsor: Senator Duncan
Requestor: Senator Duncan

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

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

No additional staff cost.

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

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. SB 70

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

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

FUNDS SOURCE	(Thousands of Dollars)					
1002 Federal Receipts	100.0	0	0	0	0	0
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	100.0	0	0	0	0	0

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

POSITIONS						
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See attached

Prepared by: Keith J. Anderson, Director *Stan Redinger* Phone: 465-6932
 Division: Vocational Rehabilitation Date: December 14, 1993
 Approved by Commissioner: *[Signature]* Date: 12-17-93
 Agency: Education

PREPARER TO BE DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

FISCAL NOTE

SENATE COMMITTEE REPORT

DATE: 3/23/93

FURTHER: FINANCE

DATE TURNED INTO OFFICE: 2-22-94

L&C Committee considered SENATE BILL NO. 70

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

and recommends:

- replace with _____ CS SB 70 (L&C)
- or adopt previous _____ CS _____ (_____)
- attaches amendment(s)

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

- adopts _____ Letter of Intent
- further referral to the _____

- do pass
- do not pass
- no recommendation
- individual recommendations

NEW FISCAL NOTES

S&SB

Department	Date	Zero	Fiscal
D.O.E.	2/22/94		✓

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS:

 BOB MORGAN
 Judith E. Salyer

OTHER RECOMMENDATIONS:

 Tom Kelly - Do Pass
 Chair: Signature and Recommendation

FROM STAN RIDGEWAY 2/94
Dept. Dir./Div. of Voc. Rehab
Department of Education

Senate Labor and Commerce Committee

Questions resulting from 1-25-94 hearing.

1. What is the incentive for banks and other lending institutions to participate in the program?

- 1) The loans are guaranteed at 90%.
- 2) There is an interest buy-down option.
- 3) It will allow banks to count this as part of their community reinvestment obligation.

2. What would be the bank's collateral? Will they have to reposses wheelchairs?

The bank's collateral would be the technology purchased and/or the 90% guarantee. It would seem that the division would be responsible for repossessing items.

3. How will Bush areas gain access to the program?

Through a series of services providers located in hub communities. The loan committee is also charged with establishing guidelines that ensure that people in rural and remote areas have equal access to the program.

4. Why doesn't the fiscal note reflect the ongoing commitment of \$100.0 annually in federal funds?

The federal funds are based on a grant received by the division. When this bill was first introduced we were not sure of ongoing funding for this project. Congress has reauthorized the program and additional funding is available as long as we meet the conditions of the grant.

5. Should there be a maximum loan amount? If so, how much?

Yes there should be a maximum loan amount established by the loan committee. This would be based on the amount of money in the fund on a yearly basis. The person who is requesting the loan will also only be able to borrow as much as they can repay which will be determined by the lending institution.

6. How much money will the \$100.0 leverage?

Various tables in our study show that the amounts vary from 10% to 33%. If 10% were used \$1,000.0 worth of loans could be leveraged.

7. What are the loan parameters in other states?

Please refer to the appendix section of the study.

SB70

COUNCIL OF STATE ADMINISTRATORS OF VOCATIONAL REHABILITATION

Post Office Box 3776
Washington, D.C. 20007

202-638-4634

TITLE I

VOCATIONAL REHABILITATION INCREASES IN FINAL APPROPRIATIONS
COMPARED TO PRESIDENTS' BUDGETS AND PREVIOUS YEAR'S APPROPRIATIONS

FISCAL YEAR PERCENT INCREASE PERCENT INCREASE OF PRESIDENT'S BUDGET
FINAL APPROPRIATION OVER REVIOUS YEAR'S APPROPRIATION

1981	+	4.6%	+	4.57%
1982	-	10.1%	+	1.03%
1983	-	33.0%	+	9.37%
1984	0%		+	9.95%
1985	-	4.0%	+	5.99%
1986	0%		+	4.1%
1987	-	4.0%	+	11.87%
1988	-	5.0%	+	7.69%
1989	+	2.0%	+	5.11%
1990	+	4.2%	+	5.41%
1991	+	4.5%	+	6.81%
1992	0%		+	9.52%
1993	+	2.8%	+	5.13%
1994	+	3.2%	+	5.03%

COUNCIL OF STATE ADMINISTRATORS OF VOCATIONAL REHABILITATION

PRESIDENT'S FY 1995 BUDGET RECOMMENDATIONS
REHABILITATION PROGRAMS

(in millions)

PROGRAM FY 1994 FINAL FY 1995 CLINTON DIFFERENCE
APPROPRIATION BUDGET REQUEST

Voc. Rehab.

State Grants \$1,974.145 \$2,029.421 +\$55.276

Supp. Employ.

Services 34.536 37.403 + 2.867

Rehab. Training 39.629 39.629 ----

Independent Living

Services 18.003 18.525 + .522

Independent Living

Centers 36.818 39.068 + 2.25

Independent Living

Older Blind 8.131 8.131 ----

Special Demonstrations 19.942 21.942 + 2.00

Projects with Industry 22.071 22.071 -----

NIDRR 68.146 66.146 - 2.00

Technology 37.744 40.744 + 3.00

ATH. FUNDING

Protect. & Advocacy 5.500 5.500 ----

Client Assistance 9.547 9.824 + .277

Migratory Workers 1.171 1.421 + .25

Evaluation 1.600 1.600 ----

Helen Keller 6.741 6.936 + .195

Special Recreation 2.596 2.596 ----

House OKs \$68 million to aid disabled

WASHINGTON — The House approved by voice vote Tuesday \$68 million in federal aid for devices and services for people with disabilities.

The bill is a compromise between versions the House and the Senate passed in August. It authorizes the new funds for the Technology-Related Assistance for Individuals with Disabilities Act of 1988. It consists of:

- \$50 million for grants to states to establish programs to help disabled people by providing them information on, and access to, such devices, as mouth sticks to operate computers.
- \$10 million for grants to states and private bodies for training and demonstration projects, including centers where disabled people can examine devices and for development of technologies.
- \$8 million for one-time federal matching grants to states to establish loan funds to help disabled people buy devices and services. (AP)

Arkansas Democrat - Gazette
Feb. 10, 1994

PROPOSAL FOR THE ASSISTIVE TECHNOLOGY
LOAN GUARANTEE AND INTEREST SUBSIDY PROGRAM
PREPARED BY THE
DIVISION OF VOCATIONAL REHABILITATION
January 25, 1994

A. INTRODUCTION:

Federal receipts from The Assistive Technology grant would be set aside as a special fund for a "leveraged loan or interest rate buy down" program. The sum of \$100,000 would be used to establish this program.

The program involves a bank(s) providing loan funds in cooperation with the Assistive Technology Loan Guarantee and Interest Subsidy Program which serves as guarantor.

It is estimated that there are at least 4,000 Alaskans with work-limiting disabilities that can benefit from technology services. Assistive Technologies of Alaska (ATA) has found that the area of greatest need relating to assistive technology is funding. Credit financing is an avenue not frequently available to persons with disabilities due to low household income levels. A funding alternative that supports consumer independence exists in the form of extended term, low interest loans. This program is intended to provide Alaskans with disabilities who would not otherwise be eligible for credit financing due to credit history or income, an option for a long-term low interest loan.

B. PARTICIPATION:

1. The program will be available to individuals with disabilities or their representatives, rather than organizations or businesses.
2. These individuals must demonstrate that the funding will be used to purchase assistive technology.
3. It must also be demonstrated that the assistive technology requested has the potential to improve that individual's quality of life, independence, or ability to function productively.
4. The Resource Center (programs who receive ATA grants) will also assist the individual by helping to explore any other potential resources for the equipment. If no other source is available, the individual would then be referred to a banking institution to apply for a loan. The Resource Center would assist the individual in determining whether or not they fall within the parameters of the program and in making this application.

5. The loan would be guaranteed to 90% of the principal amount and, if needed, would subsidize the loan interest.

C. ROLE OF THE BANKING INSTITUTIONS:

1. The individuals or their representatives will make application for the loan to a participating bank. The bank will determine a specific interest rate. If a person applying for a loan cannot afford the payback because of the interest rate, the bank will recommend that ATA buy down on the interest rate.
2. The Program will pay the difference between the rate charged by the bank and the rate paid by the individual (interest rate buy down).
3. The banks will serve as the lenders using their loan funds.
4. The bank will determine that the applicant has the ability to repay the loan and would not generally be eligible for a regular commercial loan. A monthly payment will be determined that can be reasonably expected of the borrower.
5. The banks will determine if the loan is reasonably secure due to the financial position of the applicant including the offering of collateral or the use of a cosigner.
6. The loan guarantee component of this model may involve a loan insurance component which could replace the need for a set-aside reserve.
7. The bank will collect all payments from the borrower and will bill the loan program for the interest rate buy down if there is one. This may be done on a quarterly or semi-annual basis.
8. The banks will provide loan terms that meet the individual's needs and the program criteria. They will:
 - 1) conduct credit checks for applicants,
 - 2) disseminate coupon (payment) books to borrowers;
 - 3) post payments,
 - 4) report on total amount loaned, received, and in arrears;
 - 5) send notification of late payment to borrowers; and
 - 6) process default arrangements which could include loan restructuring, collection agency, etc.

D. LOAN MINIMUM & MAXIMUM:

1. This proposal does not include set amounts for either a minimum or maximum loan. This will be determined by the Assistive Technology Loan Committee and may change annually, depending upon the ability of the loan fund.
2. An expedited loan process is intended for mini-loans under \$1,000.

E. ASSISTIVE TECHNOLOGY PROGRAM:

1. The Assistive Technology Program will make payments from the fund to the banks for interest buy down or, in the event of default, for 90% of the outstanding principal.
2. A loan fund reserve amount (10% - 20%) of outstanding loans will be negotiated with the participating banks for loan guarantee purposes. Loan fund insurance could replace this reserve.

F. ADMINISTRATION OF THE PROGRAM:

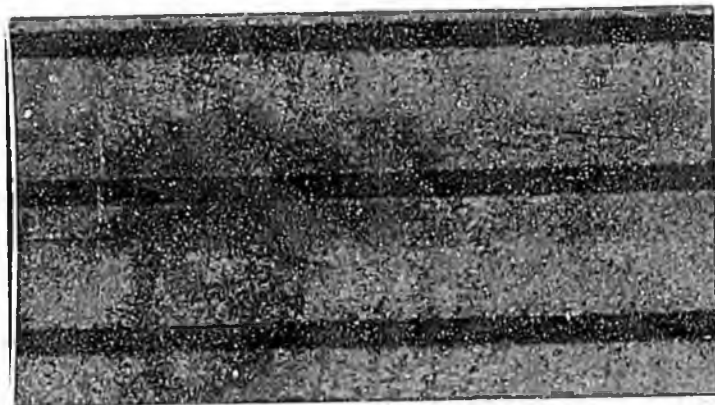
1. The Assistive Technology Loan Program is administered by an Assistive Technology Loan Committee established in the Division of Vocational Rehabilitation. This committee shall consist of not more than five individuals appointed by the Division director.
2. The committee shall:
 1. Establish the guidelines for providing loans to individuals, including the maximum and minimum amount of loans.
 2. Write regulations which govern all aspects of the activities allowed under the statute.
 3. Approve or disapprove applications for the program to buy-down the interest for any given loan. To do this they must establish a fixed percentage of the total loan funds which will be available for subsidizing interest. This percentage may be modified yearly.
 4. Make recommendations for ways to improve the program, ensure continuation of the program (which could include grants, endowments, appropriations, recovery of funds from loans,

etc.).

5. Make an annual report to the legislature on all aspects of the program. (Number of loans made, number of defaults, default rate on loans, funds used for interest buy-down, balance in the loan fund, etc.).



ALASKA DIVISION of
VOCATIONAL REHABILITATION



**Assistive
Technology**

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

Produced by

The Alaska Division of Vocational Rehabilitation
Keith Anderson, Director

The Alaska State Department of Education
Jerry Covey, Commissioner



Prepared by George W. Haynes
Anchorage, Alaska

Copies of this study are available at:

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

STAN RIDGEWAY

465-6932

Table of Contents

Introduction and Glossary

Part I Tech Loan Programs, Legislation, Administration, and Operations

Part II The Loan Process.

Part III Universe of Need and overview of market statistics

Appendix

1. Banks and Banking
2. Typical statutes and regulations
3. Applications for loans: commercial and Tech Loan revised apps.

Forward

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

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

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

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

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

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

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

Geographic Distribution of Loan Programs



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



Tech Loan Programs Legislation, Administration, and Operations



1. Common Factors

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

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

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

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

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

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

1. Legislation

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

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

There was universal agreement on the following statutory requirements:

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

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

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

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

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

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

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

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

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

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

Rehabilitation Revolving Loan Guarantee Fund

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

Sec. 100 Definitions:

For the purposes of this Act:

- (1) Assistive Technology Device - means any item, piece of equipment, or product system, whether acquired commercially off the shelf, modified, or customized, that is used to increase, maintain, or improve functional capabilities of individuals with disabilities (29 USC 2202)
- (2) Individual with Disabilities - means any individual -
 - A. who is considered to have a disability or handicap for the purposes of any Federal law, including the Social Security Act of 1972.
 - B. who is or would be enabled by assistive technology to achieve or maintain a greater level of functioning in any life activity, including the pursuit of assisted or independent employment. (102 Stat 1048)
- (3) Department - means the Department of Education, the Commissioner thereof, his assigns, designees, or successors in function.
- (4) Division - means the Division of Vocational Rehabilitation, the Director thereof, his assigns, designees, or successors in function.
- (5) Qualified Borrower - means any individual or non-profit corporation (in that order of precedence) who demonstrates that the loan will assist one or more persons with disabilities to improve independence or become more productive members of the community. Borrowers must demonstrate credit-worthiness and repayment ability to the satisfaction of the Credit Committee.

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

200 Loan Fund; establishment, and creation of of Loan Committee

Sec. 1 Loan Fund

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

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

Sec. 3. Loan Committee

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

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

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

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

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

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

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

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

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

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

Sec. 500 Excess Applications, Priorities.

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

Sec. 600 Purposes for which loans may be awarded; limitations

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

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

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

B. Limitations:

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

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

Sec. 700 Distribution of Funds.

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

Sec. 800 Participation of Private Lenders.

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

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

Sec. 900 Maximum amount of individual loans.

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

Comment:

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

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

Regulations

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

Concerns to be Addressed by Division Staff

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

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

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

A. Background.

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

B. Considerations and Challenges.

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

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

3. Semi-annual and annual review of operations.

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

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

Loan Program Models

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

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

Discussion:

1. Principal or Interest Buy Down.

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

2. Loan Guarantee Program

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

3. The Packaged Loan Program.

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

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

Which Loan Program Model Is Best for Alaska?

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

The Role of Banks and Credit Unions.

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

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

Initial Planning and Establishing Banking Relationships

A. Other Technology Loan Programs

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

B. Contacting Banks

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

C. Review the Tech Act States Loan Programs

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

PART II

Loan Process - from Application to Approval

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

A. Notice of Availability of Specialized Loans

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

C. Eligibility Restrictions

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

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

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

D. Processing Loan Applications

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

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

Discussion:

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

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

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

3. Credit standards.

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

3. Notification of Loan/Grant approval or disapproval.

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

4. Duration of Loans

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

5. Loan Payment.

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

6. Determining Payments - Options

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

7. Defaults.

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

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

Types of Loans and Guarantees.

Briefly, states offer the following services for Assistive Technology Loans

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

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

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

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

Grants

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

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

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

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

Forward

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

Because a survey of this type is necessarily open-ended (data is supplied in narrative form by the respondent without cross controls assessing "real" versus perceived disabilities and associated needs) plus the extreme difficulty in reaching a representative population sample in each of the state's Judicial Districts, the statistical confidence level was slightly less than optimum. In terms of the kinds of pure SPSS¹ formulas usually applied. Nevertheless, the body of data that was gathered explored new territories and was important in terms of what it revealed about the concentration and mix of persons with disabilities, many of whom had not been processed through the Vocational Rehabilitation system and/ or those whose needs were still partially or largely unmet. It is important to emphasize that the findings of that study were consistent with the accumulated perceptions and data already on hand within the Division.

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

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

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

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

Principal Findings

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

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

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

What Is "Technology"?

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

Who pays and how much?

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

Loan Caps and Innovative Savings.

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

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

What kinds of Technology Is Most Requested?

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

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

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

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

Where are the people located who want assistive technology?

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

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

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

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

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

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

END

Appendix I Banks and Banking

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

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

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

A Note On Banks and Banking

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

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

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

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

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

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

(2) Federal Deposit Insurance Corporation Improvement Act of 1991

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

(3) Truth In Savings Act of 1991

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

(4) Home Mortgage Disclosure Act, Amendments of 1989

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

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

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

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

Enter the Technology Loan Program.

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

Amended Funds to Include ADA Requirements.

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

Default Rates:

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

Loan Applications - contents

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

Notes on Loan Forms and Qualification Process

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

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

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

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

Association for Cerebral Palsy

Serving people with disabilities

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

Executive Director
Lee Viets

EQUIPMENT FOR INDEPENDENCE APPLICATION

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

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

1. Name: _____ Date of Birth: _____

Address: _____

Phone (home): _____ Phone (work): _____

Social Security Number: _____

Primary Disability: _____

Secondary Disabilities (if any): _____

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

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

Name: _____ Position/Title: _____

Address: _____

Phone (work): _____ Phone (home): _____

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

Check one: Parent Guardian

Date of Birth: _____ Social Security #: _____

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

Name: _____

Date of Birth: _____ Social Security #: _____

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

Equipment: _____

Specifications: _____

Any modifications needed? (Describe): _____

Will training be needed? _____ Who will provide it? _____

Place of Purchase: _____

Have you had an opportunity to try out this equipment? _____

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

5. What is the total cost of the equipment? _____

6. Amount of loan requested: _____

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

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

Name: _____

Address: _____

Position: _____ Telephone: _____

8. Are you a Vocational Rehabilitation client? _____

If YES, who is your VR Counselor? _____

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

9. Do you have private health insurance? _____

Do you have Medicaid health insurance? _____

Do you have Medicare health insurance? _____

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

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

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

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

Check one: Rent Own

Place of Employment: _____

Position: _____

How long have you worked there? _____

12 Personal Income and Expenses

Current Monthly Income

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

Current Monthly Expenses

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

Personal Assets

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

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

Other Assets: _____

Personal Liabilities (Loans and Debts Outstanding)

Car Creditor: _____ Balance: \$ _____

Mortgage Creditor: _____ Balance: \$ _____

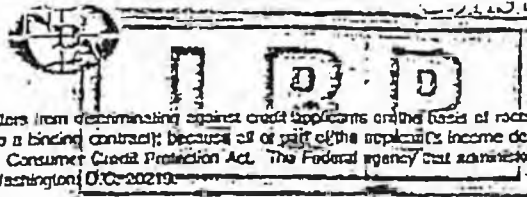
Education Creditor: _____ Balance: \$ _____

Other Creditor: _____ Balance: \$ _____

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

Creditor: _____ Balance: \$ _____

Creditor: _____ Balance: \$ _____



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

AMOUNT REQUESTED _____ REQUESTED TERM _____ PURPOSE OF LOAN _____ DESIRED MONTHLY PAYMENT _____

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

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

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

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

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

A SOURCE OF OTHER INCOME \$ _____ per _____
 B \$ _____ per _____
 C

BANK NAME & LOCATION	ACCOUNT #	TYPE	BALANCE \$
STOCKS / BONDS			

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

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

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

Comments: _____

PLEASE CHECK A B C

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

VALUE RETIREMENT PLAN		CHILD SUPPORT		
OTHER ASSETS (DESCRIBE)		OTHER DEBTS (LIST SEPERATELY)		
TOTAL ASSETS OWNED	\$	TOTAL BALANCES OWED	\$	\$

MONTHLY PAYMENTS:

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

REMARKS:

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

SIGNATURE _____ DATE _____ SIGNATURE _____ DATE _____

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

PURPOSE

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

ELIGIBILITY

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

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

CONSUMER FOCUS

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

REVOLVING LOAN

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

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

LOAN TERMS

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

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

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

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

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

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

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

APPLICATION PROCESS

Information Distribution

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

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

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

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

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

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

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

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

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

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

-Application Form

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

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

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

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

-Application Fee

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

MODELS FOR PROGRAM ADMINISTRATION

General Loan Commonalities

Board

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

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

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

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

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

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

Oversight Body

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

Commercial Bank/State Treasury Department

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

Staff Support

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

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

Credit-Reporting Agency

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

Collection Agency

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

Mini-Loans

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

MODEL A:

Private Administration

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

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

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

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

Volunteer Loan Officers

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

Data-Processing Service

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

MODEL B:

State Administration

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

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

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

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

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

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

Models A & B:

Additional Functions

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

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

Model C:

Non-Profit Administration

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

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

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

Discussion of Models

MODEL A-

Pros:

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

Cons:

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

MODEL B-

Pros:

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

Cons:

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

Model C-

Pros:

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

Cons:

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

Other Operational Procedures

Early Approval

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

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

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

Appeal

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

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

Default Time-Table

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

Cosigners

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

Steps to Implement

Phase I:

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

Phase II:

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

Phase III:

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

Incentives/Disincentives

For individuals with disabilities or applicants on their behalf-

Incentives:

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

Disincentives:

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

For commercial entities-

Incentives:

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

Disincentives:

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

For private non-profits-

Incentives:

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

Disincentives:

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

For non-consumer applicants (if eligible)-

Incentives:

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

Disincentives:

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

Addendum: Operating Cost Projections:

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

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

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

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

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

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

Addendum: Fundraising Agenda

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

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

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

Federal Sources

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

State Government

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

Corporations

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

Manufacturers of Assistive Technology

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

Insurance Companies

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

Private Foundations

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

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

Addendum: Potential Participating Entities

Model A:

Data-Processing Service

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

Central Coordinator

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

Model B:

Finance Agency

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

Human Services Agencies

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

and goals that would pre-dispose them to participating in this program.. There are more specialized agencies, ones that focus on a very specific segment of the disabled population, that might also be asked to take on this program in some capacity.

Model C:

Non-Profit Administration

A private non-profit, might provide office space for the program staff as well as overall program administration.

Commercial Bank:

The VATS office has already established a contact for working with what is now NationsBank. All models have the potential for involvement of a commercial bank for fund investment purposes.

Credit-Reporting Agency: Virginia Credit Union recommended contact with the credit bureau Equifax during the research of this model. Equifax is well based in Virginia and has reasonable rates, but other options could be pursued as well.

Addendum: Potential Legal Issues

There has not been an opportunity yet to receive legal counsel concerning this program, which will have to be done as the model becomes more finalized. Potential legal issues that might need to be addressed would include:

Separation of functions between receipt and disbursement of monies will ensure fiscal responsibility. The same accounting component should not receive and deposit funds.

What information cannot be requested and/or required on the application form? What sort of statement needs to appear on the application form for the applicant to sign testifying to the veracity of the information provided? What sort of issues of confidentiality need to be considered?

What sort of regulations will this program be subject to as a lending institution, even though its rates are below commercial interest rates? Will it be regulated differently depending on whether its public or private? How can it be arranged for a private non-profit entity to make loans? What legal processes would need to occur to bring this program under the jurisdiction of one of the economic development authorities?

What legal issues might affect the decision-making board? What needs to be done to protect the board from liability? Are there legal issues with whether the board holds public or private meetings, particularly if it is a public program?

What other liability issues need to be addressed? Is it possible for this program to obtain tax-exempt status? Does there need to be legal expertise available at board meetings?

Appendix A: Map of ATRC's/CILS
Appendix B: Application Form

ASSISTIVE TECHNOLOGY LOAN FUND

EXECUTIVE SUMMARY

Prologue

The Resource Development Task Group of the Virginia Council on Assistive Technology recommended models of assistive technology loan funds be researched for application within the Commonwealth of Virginia. This initiative came out of recommendations of the Commission on the Coordination of the Delivery of Services to Facilitate the Self-Sufficiency and Support of Persons with Physical and Sensory Disabilities, otherwise known as the Beyer Commission.

General Definition of Problems

Funding for assistive technology has been identified as the primary area of need in a recent statewide needs assessment conducted by the Survey Research Laboratory for the Virginia Assistive Technology System. The existing obstacles to funding contribute to the diminishing funding streams available to Virginians with disabilities in need of assistive technology. These obstacles include bureaucratic barriers and restrictive eligibility criteria and narrow definitions of what can be defined as appropriate and fundable assistive technology.

Themes Common to Model Development

This loan fund has the intent of providing assistive technology to individuals who would otherwise be unable to afford it. Consumer choice will guide the development of all models presented, allowing each applicant to determine what equipment is most appropriate for them. General informational assistance will be provided to applicants regarding alternative funding sources and various equipment options to maximize informed choices. The fund will ensure its own viability through the ongoing analysis of monies loaned and returned by a designated financial authority.

Analysis of Alternative Loan Funding Models

The three loans described in detail in the body of this paper are differentiated primarily by administrative oversight. These include a private, state, and non-profit oversight. Each model also describes related financial components, loan fund investment entities and the oversight body that would conduct loan fund approval activities. The recommendation of the VATS Resource Development Task Group is that a mixed model be considered that would combine non-profit administration with state finance agency coordination. All models will include an independent loan fund board that will be the decision making authority for all loan applications.

ASSISTIVE TECHNOLOGY LOAN FUNDING MODELS ANALYSIS

MODELS	DESCRIPTION	ADMINISTRATIVE COMPONENT	FINANCIAL COMPONENT	INVESTMENT ENTITY	OVERSIGHT BODY
A	Private Administration	<ul style="list-style-type: none"> - Central Coordinator - Data Processing Service - within Private Bank or Business 	Volunteer Loan Officers	Bank	Independent Loan Board
B	State Administration	<ul style="list-style-type: none"> - State Human Service Agency 	State Finance Agency	State Treasury Department	Independent Loan Board
C	Non-profit Administration	<ul style="list-style-type: none"> - Private Non-profit - Data Processing Service 	Bank/ Non-profit	Bank	Independent Loan Board
Mixed Model	Non-Profit/ State Administration	<ul style="list-style-type: none"> - Non-profit Corporation 	State Finance Agency	State Treasury Department	Independent Loan and Oversight Policy Board

VIRGINIA ASSISTIVE TECHNOLOGY SYSTEM
ASSISTIVE TECHNOLOGY LOAN MODEL PRESENTATION

INTRODUCTION AND PURPOSE

The Department of Rehabilitative Services proposes the establishment of a special loan fund enabling persons with disabilities to purchase needed assistive technology. The assistive technology loan fund will provide an alternative funding source for persons with disabilities in the acquisition of assistive technology. The loan fund is structured to provide rates and terms more attractive than those traditionally offered by commercial banks. The opportunity to establish or enhance a positive credit history will be an additional benefit to participants of the loan fund. Although the size of the program can be scaled up or down depending on the availability of fiscal resources, it is proposed that the loan fund begin operation with a base appropriation of \$5.0 million dollars.

Assistive technology is defined as "any item, device, piece of equipment or product system, whether acquired commercially off-the-shelf, modified or customized, that is used to increase, maintain or improve functional capabilities of individuals with disabilities" (Technology-Related Assistance Act, 1988).

Through extensive research of existing loan programs across both public and private sectors, two potential models of choice have been developed for presentation. These are (1), a revolving loan fund and (2), a leveraged loan or interest rate buy down model. The financial, administrative and oversight components of each will be discussed.

The revolving loan model assumes the establishment of an Assistive Technology Loan Finance Authority to provide financial management of the loan fund program. This proposed Authority would assume all financial responsibilities related to the operation of the loan fund.

The leveraged loan model involves a bank providing loan funds in cooperation with a similar Loan Authority who serves as the guarantor. Participation in such a partnership would provide banks with credit for their Community Reinvestment Act requirements. The focus of this Act is for banks to provide a credit related function to their communities and this proposal is in keeping with that mission.

DEFINITION OF NEED

It is estimated that there are over 350,000 Virginians with work-limiting disabilities according to the 1990 Virginia Disability Survey. The Virginia Assistive Technology System has found that the area of greatest need relating to assistive technology acquisition is funding. These results align with those of a recent fifteen state survey of over 1,626 persons with disabilities (RESNA, 1992). The RESNA survey found that 60% of the respondents were in need of assistive technology devices, and that same figure could not identify a funding source to secure the device.

Credit financing is an avenue not frequently available to persons with disabilities due to low household income levels, as documented by Louis Harris in 1986. A funding alternative that supports consumer independence exists in the form of extended term, low interest loans. The intent of this program is to provide a long term, low interest option for Virginians with disabilities who would not otherwise be eligible for credit financing due to equipment desired, credit history or income.

ELIGIBILITY

These models represent a funding program that will make loans exclusively to individuals with disabilities or their representatives, rather than organizations or businesses. These individuals must demonstrate that the funding will be used to purchase assistive technology. It must also be demonstrated that the assistive technology requested has the potential to improve that individual's quality of life, independence, or ability to function productively.

DISCUSSION OF LOAN MODELS

Within the two models presented, each has individual components which differ slightly. For clarity of presentation, similarities and differences will be discussed for each.

Assistive Technology Loan Finance Authority

Both models assume the establishment of an Assistive Technology Loan Finance Authority. The activities which the Authority would take on differ slightly across each model. The location of this Authority is not at present defined. The possibility does exist that this authority could be blended into an existing authority, or portions of their fiscal/administrative responsibilities could be contracted to other entities, i.e., loan payment mechanisms to the Virginia Educational Loan Authority. This quasi-governmental entity would have within it an oversight Board. This Board will have identified staff working directly on

this project, and be responsible for individual loan approval and the management of monies in and out of the loan fund. The Authority will bill the Loan Fund for all administrative costs incurred.

The Board would consist of at least seven volunteer members with four members with disabilities, a public accountant, a loan officer, and a designee of the Virginia Assistive Technology System or the Department of Rehabilitative Services. A Board subcommittee will meet monthly to approve or deny loan applications and rule on loan defaults. Presentations will be made to the Board subcommittee by both the non-profit and Finance Authority for each loan recommended.

Non-Profit Corporation/Foundation

Both models also assume the involvement of a new or established non-profit organization or foundation to provide the central point of contact with potential borrowers. This body will assist consumers in loan restructuring to prevent default. A representative from this body would attend the monthly Loan Authority Board meetings as a consumer representative.

This consumer support function includes application completion, credit counseling, and preliminary financial profile development.

This financial analysis will estimate an individual's ability to pay and propose an estimated monthly payment. This will occur prior to a formal credit review to ensure available discretionary income for the applicant. Non-profit/foundation administrative costs related to loan fund activities will be billed to the Authority.

I. Revolving Loan Model

In a revolving loan fund program, a start-up appropriation is used to make initial loans. As funds are paid back, those funds are "recycled" into new loans. This strategy is successfully being used by the State of Maine and Vermont.

The revolving loan fund will be established with a proposed base legislation appropriation of \$5.0 million dollars.. An Assistive Technology Loan Finance Authority will be established to provide oversight of the disbursements and receipts of these funds. Payment processing responsibilities listed could be contracted to an agency specializing in those matters.

Loan fund criteria include:

1. Loans will be approved for amounts up to \$5,000 dollars.

2. Interest rates for approved loans will be based at current prime rate at the time of approval.
3. Loan terms will range from 3 months to 8 years.
4. Reserve for defaults will be 3% of the total loans outstanding.

Finance authority staff responsibilities include:

1. Conduct credit checks for applicants.
2. Attend Loan Fund Board meetings and make recommendations on individual loan rates and terms.
3. Disseminate coupon books to borrowers.
4. Post payments received.
5. Create reports on total amounts loaned, received, and in arrears.
6. Send notifications of late payment to borrowers.
7. Notify non-profit organization of loans that are at risk for their intervention prior to default.
8. Process default arrangements (loan restructuring, collection agency, etc.).
9. Manage the control of the Loan Fund receipts and disbursements.

II. Leveraged Loan or Interest Buy Down Model

The interest buy down loan model combines a private bank determining a specific interest rate with a loan fund authority buying that rate down and effecting a fixed rate loan, providing reasonable rates to borrowers. Similar leveraged loan programs are currently in operation by the American Foundation for the Blind, a nationwide not for profit organization, and the State Education Assistance Authority in Virginia to finance school construction activities.

The leveraged loan fund will be established with a base of \$5 million dollars. A private bank(s) will serve as the lender using their funds with the loan fund buying their interest rate down. The loan guarantee component of this model may involve a loan insurance component which could replace the need for a set aside reserve.

Loan fund criteria include:

1. Payments will be made from the fund to the bank(s) for interest rate buy down for each loan.
2. Loan fund reserve amount (10% - 20%) of outstanding loans will be negotiated with the participating bank(s) for loan guarantee purposes. Loan fund insurance could replace this reserve.

Banking institution staff responsibilities include:

1. Recommend loans for approval for amounts up to \$5,000 dollars.
2. Provide reduced interest rates for approved loans at the time of approval.
3. Provide loan terms that will range from 3 months to 8 years.
4. Conduct credit checks for applicants.
5. Disseminate coupon books to borrowers.
6. Post payments received.
7. Create reports on total amounts loaned, received, and in arrears.
8. Send notifications of late payment to borrowers.
9. Process default arrangements (loan restructuring, collection agency, etc.).
10. Attend monthly Loan Fund Board meetings.

VERMONT
ADAPTIVE EQUIPMENT REVOLVING FUND

Regulations

June 1992

Division of Independent Living
Department of Aging and Disabilities
Agency of Human Services
State of Vermont

VERMONT ADAPTIVE EQUIPMENT REVOLVING FUND REGULATIONS

Table of Contents

<u>Section</u>	<u>Page</u>
101 Statutory Basis	1
102 Statement of Purpose	1
103 Definitions	1
104 Administration	2
105 Fund	3
106 Eligibility	3
107 Processing of Applications	4
108 Board	5
109 Notice	6
110 Loan Terms and Conditions	6
111 Covenants of Borrower	7
112 Default	8
113 Confidentiality	9
114 Appeals	10

VERMONT ADAPTIVE EQUIPMENT REVOLVING FUND

Division of Independent Living
Department of Aging and Disabilities

REGULATIONS101 STATUTORY BASIS

These regulations are promulgated pursuant to 33 V.S.A. Chapter 77, relating to the Vermont Adaptive Equipment Revolving Fund.

102 STATEMENT OF PURPOSE

The purpose of the Vermont Adaptive Equipment Revolving Fund is to make loans and grants available on a statewide basis to qualified borrowers for the purchase of adaptive equipment by persons with disabilities.

103 DEFINITIONS

Unless otherwise required by the context, as used in these regulations:

- (a) "Adaptive equipment" means any item, piece of equipment or product system, whether acquired commercially off the shelf, modified or customized, that is used to increase, maintain or improve functional capacities of individuals with disabilities. The term includes items such as a lift-equipped van for a person who is quadriplegic and a hearing aid or teletype device for one who is hearing impaired.
- (b) "Applicant" means any individual or organization which submits an application for a loan or grant to the Board.
- (c) "Board" means the Vermont Adaptive Equipment Revolving Fund Board.
- (d) "Commissioner" means the Commissioner of the Department.
- (e) "Department" means the Vermont Department of Aging and Disabilities, acting on behalf of the Vermont Agency of Human Services.
- (f) "Financial Services Provider" means any organization, entity or individual with which the Department has established a contract to provide credit information, close loans, administer loans after closing, and perform all other duties as set forth in said contract.

Vermont Adaptive Equipment Revolving Fund Regulations

- (g) "Fund" means the Vermont Adaptive Equipment Revolving Fund.
- (h) "Grant" means a sum of money given from the Fund for which repayment is not expected.
- (i) "Loan" means a sum of money given from the Fund for which repayment is expected.
- (j) "Loan commitment" means a written agreement by the Board to provide a sum of money as a grant or loan under enumerated conditions to a Qualified Borrower.
- (k) "Note" means a written agreement under which a Qualified Borrower promises to repay a loan to the Fund in accordance with specified terms and conditions.
- (l) "Person with disabilities" means a person who has a disability which affects a major life activity, such as mobility, communication or self-care, who has a history of that disability or is regarded as having a disability.
- (m) "Program" means the Adaptive Equipment Loan Program.
- (n) "Qualified Borrower or Borrower" means any Vermont individual, non-profit corporation or partnership able to demonstrate credit worthiness and repayment abilities to the satisfaction of the Board.
- (o) "Support Services Provider" means any organization, entity or individual with which the Department has established a contract to market loans, provide technical assistance in choice and use of equipment, review loan applications, close loans, provide credit counseling, and perform all other duties as set forth in said contract.

104 ADMINISTRATION

The Department may enter into contracts with one or more responsible entities to act as Financial Services and Support Services Providers. Such contracts may provide for the development of policies, procedures, documentation, reporting, loan underwriting, publicity, analysis, and decisions with respect to applications received.

Vermont Adaptive Equipment Revolving Fund Regulations105 FUND

- (a) Contents. The Fund shall consist of monies appropriated to it, repayments of principal and interest by Qualified Borrowers, interest earned, and any grants, contributions and loans to the Fund approved by the joint fiscal committee.
- (b) Uses. The Fund may be used:
- (1) To make direct loans or grants to Qualified Borrowers; and
 - (2) To cover costs, up to ten percent (10%) of the Fund annually, associated with maintaining and administering the Fund.

106 ELIGIBILITY

- (a) Generally. To obtain approval of a loan or grant, an Applicant shall:
- (1) Comply with the application procedure provided in Section 107(a);
 - (2) Be a Qualified Borrower; and
 - (3) Demonstrate that the loan or grant will assist one or more persons with disabilities:
 - (i) To improve their independence; or
 - (ii) To become more independent members of the community and to improve the quality of their lives within the community.
- (b) Multiple loans. An Applicant may receive more than one loan from the Fund, provided, however, that the total principal amounts do not exceed the maximum amount permitted for any single loan.
- (c) Previous Application Rejected. To submit a new application after an application has been previously denied, an Applicant shall demonstrate a significant change in the circumstances which resulted in the earlier denial.

Vermont Adaptive Equipment Revolving Fund Regulations107 PROCESSING OF APPLICATIONS

- (a) Application. An Applicant shall submit to the Support Services Provider a completed application form supplied by the Support Services Provider, which application shall include:
- (1) Certification that the Applicant meets all eligibility requirements;
 - (2) A statement of the cost, description, and intended use of the adaptive equipment the Applicant proposes to purchase;
 - (3) Sufficient evidence of the Applicant's net income and net worth; and
 - (4) A list of other sources of financing for the equipment or a statement that the Applicant has explored other methods of financing and that none is available.
- (b) Consideration of Application. In making decisions or recommendations for the approval or denial of an application, the Support Services Provider and/or the Financial Services Provider, as the case may be, shall consider whether:
- (1) The applicant is eligible;
 - (2) The proposed loan or grant would be used for an eligible purpose;
 - (3) The proposed loan or grant would be an efficient use of the Fund;
 - (4) Other sources of financing are available to supplement the loan or grant; and
 - (5) The Applicant has sufficient assets to provide adequate collateral for and repayment of a loan.
- (c) Applications for \$1,000 or Less. With respect to an application for \$1,000 or less, the Support Services Provider shall forward its decision and the completed application to the Board.

Vermont Adaptive Equipment Revolving Fund Regulations

- (d) Applications for more than \$1,000. With respect to an application for more than \$1,000:
- (1) The Support Services Provider shall forward its recommendation and the completed application to the Financial Services Provider; and
 - (2) The Financial Services Provider shall:
 - (i) Consider the adequacy of information available;
 - (ii) If the application is for a loan, consider the Applicant's ability to repay and the adequacy of security provided; and
 - (iii) Recommend to the Board that it approves or disapproves the application.

108 THE BOARD

- (a) Membership. The Board shall consist of five persons appointed to four year terms by the Secretary of Human Services, in accordance with 33 V.S.A. §7702. At least two members shall be persons with disabilities and at least one person shall be an employee of the Agency of Human Services. In addition, the Secretary of Human Services shall appoint two alternate members to the Board, one of whom shall be a person with a disability, which alternate members shall act in the capacity of a regular member when a quorum is not present.
- (b) Quorum. A quorum of the Board shall consist of three members.
- (c) Conflict of Interest. No Board member may participate in consideration of or voting on an application in which he or she has a direct or indirect pecuniary interest in the outcome.
- (d) Executive Session. Upon a majority vote of its members, the Board may conduct an executive session for the purpose of discussing information made confidential by statute or for other statutorily authorized purposes. The Board shall not take any action in executive session.

Vermont Adaptive Equipment Revolving Fund Regulations

- (e) Decisions on Applications for More Than \$1,000. The Board shall approve or disapprove any application for more than \$1,000 based on the recommendation of the Services Providers, the contents of the application, and all available information related to the application.
- (f) Fees. In order to protect the integrity of the Fund, the Board may charge fees for administration, servicing and document preparation.
- (g) Loan Commitments. Upon approving an application, the Board shall direct the Support Services Provider or Financial Services Provider, as appropriate, to issue a loan commitment to the Applicant for a specific period of time and include within it such reasonable terms and conditions recommended by the Financial Services Provider which the Board deems appropriate. The loan commitment shall become effective when it is signed by the Applicant and any co-applicants or guarantors.

109 NOTICE

- (a) Applications for Less Than \$1,000. For applications for less than \$1,000, the Support Services Provider shall notify the Applicant in writing of its decision and, if it disapproves the application, include the reasons for its decision and notice of the Applicant's right to appeal in accordance with Section 114.
- (b) Applications for More Than \$1,000. For applications for more than \$1,000, the Board shall direct either the Support Services Provider or the Financial Services Provider, as appropriate, to notify the Applicant in writing of its decision, and, if the Board disapproves the application or approves an amount less than requested, the reasons for its decision and notice of the Applicant's right to appeal in accordance with Section 114 shall be included in said notice.

110 LOAN TERMS AND CONDITIONS

- (a) Amount. The amount of a loan shall be sufficient to enable the Borrower, in combination with other sources of assistance if need be, to acquire the adaptive equipment specified in the loan commitment.

Vermont Adaptive Equipment Revolving Fund Regulations

- (b) Interest. Interest rates shall not exceed the prime rate established by the major banks in Boston and shall be fixed at the date of loan commitment. In determining the interest rate, the Board shall consider the Borrower's ability to pay.
- (c) Term. The term of each loan shall be based on the Borrower's circumstances and the useful life of both the collateral and the adaptive equipment to be purchased, but in no event shall it exceed ten (10) years.
- (d) Collateral. The Board may require such collateral as appropriate, including a mortgage on real estate, a security agreement on personal property, or personal guarantees. Except as specifically approved by the Board, collateral shall be located or registered within the State of Vermont.
- (e) Execution of Documents. The Support Services Provider or Financial Services Provider, as appropriate, shall prepare the loan documents, which documents shall include the covenants provided in Section 111. Execution of all loan documents shall be a condition precedent to the payment of the loan proceeds to the Borrower. Loan closing shall take place at the office of the Services Provider that prepared the documents, unless that Services Provider and the Borrower agree to another location.
- (f) Use of Proceeds. The Borrower shall use the loan proceeds only for the purposes stated in the loan commitment, and the Borrower's rights under that commitment shall not be assignable. Upon request of the Board, the Borrower shall provide documentation of the purchase of the adaptive equipment specified in the loan commitment.

111 COVENANTS OF BORROWER

The borrower shall agree to comply with the conditions set out in this section.

- (a) Laws. The Borrower shall comply with all applicable planning, zoning, sanitary, building and environmental laws, ordinances and regulations of the federal, state and local governments.

Vermont Adaptive Equipment Revolving Fund Regulations

- (b) Collateral. The Borrower shall:
- (1) Maintain the collateral in good condition and repair and shall maintain insurance on it as required by the Board;
 - (2) Not convey, lease, transfer, materially alter or relocate any loan collateral without the prior written consent of the Board; and
 - (3) Pay, when due, all taxes or charges assessed against any collateral.
- (c) Loan Purposes. The Borrower shall not expend any portion of the loan for purposes other than those approved by the Board.
- (d) Expenses of Financial Services Provider. The Borrower shall repay any necessary advances or expenses of the Financial Services Provider incurred to protect the collateral or to enforce the rights of the Board against the Borrower or the collateral.
- (e) Other Covenants. The Borrower shall comply with such other reasonable covenants as the Board may require.

112 DEFAULT

- (a) When. A loan is in default when any payment is 30 days past due or upon a breach by the Borrower of any covenant set forth in the loan documents.
- (b) Notice. When a loan is in default, the Services Provider administering the loan shall notify the Borrower and the Board that the Borrower is in default and has thirty (30) days in which to cure the default.
- (c) Failure to Cure. Upon failure of the Borrower to cure the default within thirty (30) days of receiving the notice provided under Section 112(b) above, the Board shall take appropriate action based on:
- (1) The recommendation of the Support Services Provider and the Financial Services Provider;

Vermont Adaptive Equipment Revolving Fund Regulations

- (2) The impact of enforcement and collection on the Borrower; and
 - (3) The likelihood that the loan will be repaid if a waiver or extension is granted.
- (d) Acceleration of Payment. If the Board decides to accelerate repayment of a loan in default, it shall notify the Borrower that:
- (1) The Borrower is still in default;
 - (2) The Board intends to accelerate repayment of the loan;
 - (3) The Borrower has an additional thirty (30) days in which to cure the default; and
 - (4) The Board may proceed to enforce its rights if the Borrower fails to make payment in full within the additional thirty (30) days.
- (e) Application of Payments. All payments received on account of a defaulted loan shall be applied against the following items in the following order:
- (1) Expenses incurred in connection with the collection and preservation of the collateral;
 - (2) Accrued interest; and
 - (3) Outstanding principal.

113 CONFIDENTIALITY

All applications, supporting information, and other program records shall be kept confidential so as not to disclose the identify of Applicants or Borrowers, except:

- (a) As authorized by the Applicant or Borrower to enable the Program to process an application; and
- (b) As required by the Board to enable it to pursue the Program's claims against a Borrower.

Vermont Adaptive Equipment Revolving Fund Regulations114 APPEALS

- (a) Reconsideration. An Applicant whose application is disapproved in whole or in part may obtain a reconsideration by the Board by submitting a written request to the Support Services Provider within twenty (20) days of receiving the notice specified in Section 109. The Board shall schedule a time during which it will reconsider the application and afford the Applicant the opportunity to be present and to support the application. The reconsideration shall be based on the information available to the Program on the date the application was disapproved.
- (b) Fair hearing. If aggrieved by action of the Board, the Applicant may request a hearing by the Human Services Board in accordance with its rules.

BRIEF DESCRIPTION OF PROCEDURES

The research methods used in this study are patterned after those described by the Research and Training Center on Independent Living at the University of Kansas (Fawcett, Suarez de Balcazar, Whang-Ramos, Seekins, Bradford, & Mathews, 1988). The focus of this study was primarily on issues surrounding the transition process that occurs once a person has been discharged from rehabilitation. This study also helps describe some of the characteristics of the population of individuals with disabilities who reside in rural areas, including their needs for and access to services.

Questionnaire development. A broad variety of literature in such areas as discharge planning (e.g., Hanson, 1986), rural psychology (e.g., Childs & Melton, 1983), services to individuals with brain injury (e.g., Ylvisaker & Gobble, 1987), independent living (e.g., Richards, 1986), and long-term care were reviewed. In addition, extensive interviews were conducted with hospital social workers, hospital discharge planners, level of care specialists, vocational rehabilitation counselors, ILC staff, nursing home staff, and consumers. This review produced a menu of 315 potential concerns about rehabilitation services involved in facilitating transitions to rural independent living.

This menu was first used to develop surveys of rural ILCs and CARF hospitals serving rural areas (Jackson, Seekins, Dingman, & Ravesloot, 1990; Seekins, Ravesloot, Jackson, & Dingman, 1990). Top problems and strengths reported in these two surveys were then selected for the consumer survey. In addition, consumer panels selected another 13 issues to complete the 68 item survey. Finally, one item was developed based on comments received from respondents to our hospital survey. These questions were organized in a standard format that asked respondents to rate the importance of and their satisfaction with each item on a four point scale.

Questions regarding the personal and situational characteristics of respondents (e.g., age, employment, residence, access to services) were also included. These were developed to address key results found in these previous surveys and to allow for comparison with other surveys of consumers.

Identification of respondents. We wrote to all of the rehabilitation hospitals and ILCs that comprised our sample from two previous studies to ask their help in conducting a national survey of rural consumers. An enclosed, self-addressed post card allowed these agency staff to indicate their cooperation and the number of surveys they would distribute to their consumers. This procedure was chosen for three reasons. First, it tied consumer responses to responses from our provider studies. Second, it insured a national sample. Finally, it protected respondents' confidentiality. Forty-seven of 96 ILCs and 5 of 50 hospitals agreed to distribute questionnaires.

Survey distribution and collection. A total of 369 survey packets were mailed to staff contacts from 52 programs agreeing to distribute questionnaires. It is important to note that

we asked survey distributors to be sensitive to the ability of individuals to respond to and complete the questionnaire without undue burden. No follow-up procedures were used and no data are available on how many questionnaires were actually distributed to consumers or patients. Approximately nine out of ten respondents were contacted through independent living centers.

Data analysis. A rank order of consumers' concerns were summarized by calculating an average importance and satisfaction rating for each item. These ratings, based on a scale ranging from 0 (low) to 4 (high) were then converted to percentages as displayed in Table 2. In addition, Strength and Problem scores were calculated for each item. Strength scores were calculated by multiplying the average importance by the average satisfaction ($I \times S$). Problem scores were calculated by multiplying average importance by the difference between total possible satisfaction and average satisfaction ($I \times [4 - S]$). A summary of top strengths and problems reported by adults with disabilities are presented in Table 1.

DEMOGRAPHICS OF RURAL SURVEY RESPONDENTS

One-hundred and twenty-four adults with disabilities living in rural areas responded to mailed questionnaires that included items about transitions from rehabilitation to independent living in rural areas as well as demographic information. Figure 1 depicts the geographic distribution of survey respondents.

GEOGRAPHIC LOCATION OF RESPONDENTS TO THE RURAL CONSUMERS' SURVEY

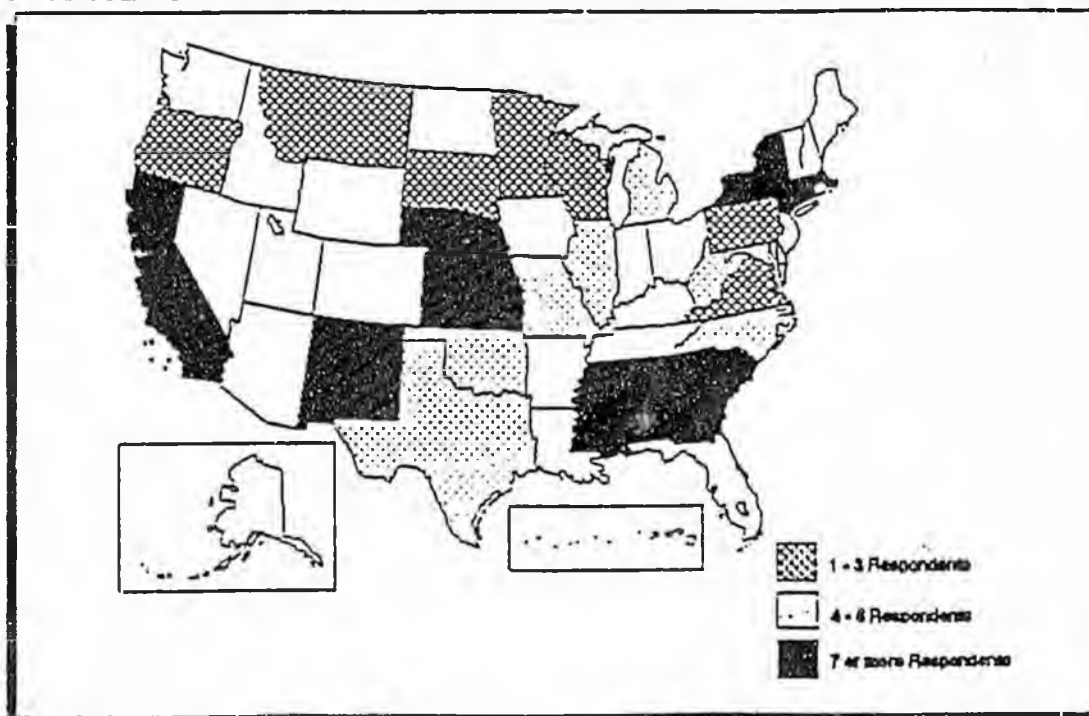


FIGURE: 1