

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE GARA

Introduced:
Referred:

A BILL

FOR AN ACT ENTITLED

1 **"An Act providing for a reduction in interest on postsecondary education loans for**
2 **residents."**

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

4 *** Section 1.** AS 14.43 is amended by adding a new section to read:

5 **Sec. 14.43.123. Reduction in loan interest for residents.** (a) Notwithstanding
6 a contrary provision of law and except as provided in (f) of this section, the
7 commission shall provide for a reduction of 2.5 percent a year from the established
8 interest rate for a loan issued under AS 14.43.091 - 14.43.160, 14.43.161 - 14.43.168,
9 or 14.43.170 - 14.43.175 at the end of each calendar year if

10 (1) the borrower establishes and maintains residency for one year
11 before obtaining the loan;

12 (2) the borrower maintains residency in the state while repaying the
13 loan at a reduced interest rate;

14 (3) the loan for which the reduction in interest is allowed is not in

1 default;

2 (4) the principal of the loan is not otherwise eligible to be fully repaid
3 or forgiven by the state under another program; and

4 (5) the borrower completed the degree or certificate program for which
5 the loan was issued.

6 (b) The reduction in the interest rate under (a) of this section does not apply to
7 principal and interest paid on the loan before a borrower becomes eligible for the
8 reduction and is subject to appropriation by the legislature to the commission of the
9 amount necessary to offset the amount of reduced interest provided to borrowers. The
10 commission shall, by regulation, establish an equitable system for reducing or
11 prorating interest rate reductions among borrowers if the amount appropriated is
12 insufficient to offset the full amount of interest rate reductions.

13 (c) A reduction in the interest rate for a loan provided under this section is in
14 addition to any other available reduction of the principal of the loan or interest rate.

15 (d) A person who is issued a reduction in the interest rate of a loan under this
16 section in error shall repay the amount of the reduction, plus interest.

17 (e) Notwithstanding the reduction in interest rate available to a student under
18 this section, the corporation may maintain a minimum three percent interest rate for
19 loans issued by the corporation if necessary for a purpose that is consistent with the
20 duties of the corporation.

21 (f) By January 1 of each year, the corporation shall determine whether and to
22 what extent a reduction in interest rates under this section would negatively affect the
23 corporation's bond rating and ability to fund future loans. If the corporation determines
24 that a reduction in interest rates under this section would negatively affect the
25 corporation's bond rating or its ability to fund future loans, the commission may not
26 provide a reduction in loan interest rates under (a) or (b) of this section for the affected
27 fiscal years unless an appropriation is made to cover the costs of the reduction. If the
28 appropriation is inadequate to pay reductions in interest rates for all eligible loans, the
29 commission shall prorate all reductions in interest rates provided under this section.

30 (g) Notwithstanding (a)(2) of this section, a person who is issued a reduction
31 in the interest rate under this section is eligible to continue receiving the reduction in

1 interest rate, subject to the availability of funds, if the person was a resident of the
2 state for not less than five years after completion of the program for which the loan
3 was issued and leaves the state for not more than one year during the period of
4 repayment of the loan.

5 (h) The commission may adopt regulations necessary to implement this
6 section, including regulations for partial reductions in the interest rate during the year
7 when a borrower returns to the state after completing the degree or program under
8 (a)(5) of this section.

9 (i) In this section, "resident" or "residency" means living in the state with the
10 intention of remaining permanently without claiming residency in another state or
11 country.

12 * **Sec. 2.** AS 14.43.165 is amended by adding a new subsection to read:

13 (d) A borrower under AS 14.43.161 - 14.43.168 may be eligible for a
14 reduction in the interest rate under AS 14.43.123. The commission shall reduce the
15 interest rate of a loan under AS 14.43.161 - 14.43.168 as specified in AS 14.43.123 if
16 the borrower meets the eligibility requirements of that section.

17 * **Sec. 3.** AS 14.43.171 is amended to read:

18 **Sec. 14.43.171. Applicability of other laws.** The provisions of
19 AS 14.43.120(b), 14.43.120(d)(4), 14.43.123, 14.43.135, 14.43.140, and 14.43.145 -
20 14.43.160 apply to the loans made under AS 14.43.170 - 14.43.175 as if the loans
21 were made under those applicable provisions.