

2d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 272

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

**BY REPRESENTATIVES GARA, GUTTENBERG, GARDNER, KERTTULA, HOLMES, TUCK,
KAWASAKI, PETERSEN, GRUENBERG, AND CISSNA, Miller**

Introduced: 2/22/12

Referred: Education, Finance

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. Interest rate reduction for residents.** (a) Notwithstanding a
6 contrary provision of law and except as provided in (e) - (h) of this section, the
7 commission shall provide for a reduction of three 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 for the time period in which the borrower establishes and
10 maintains residency in the state while repaying the loan if

11 (1) the loan for which the reduction in interest is allowed is not
12 currently in default;

13 (2) any portion of the principal or interest on the loan is not otherwise
14 eligible to be repaid or forgiven by the state under another program; and

1 (3) the borrower completed the degree or certificate program for which
2 the loan was issued in a timely manner.

3 (b) For a borrower eligible for a reduction in the interest rate under (a) of this
4 section, the commission shall provide for a three percent reduction in the interest rate,
5 prorated from the beginning of the loan interest accrual period for the loan to the date
6 the borrower becomes eligible under (a) of this section, but not for a period longer
7 than five years, if the borrower was a resident of the state for not less than one year
8 before enrolling in the postsecondary program for which the loan was issued and

9 (1) established residency in the state in the two-year period
10 immediately following completion of the degree or certificate program for which the
11 loan was issued; or

12 (2) attended the postsecondary program for which the loan was issued
13 and maintained residency in the state.

14 (c) The commission shall prorate on an annual basis a reduction in the interest
15 rate under (a) of this section over the period of residency that coincides with the loan
16 repayment period.

17 (d) A reduction in interest rate provided under this section is in addition to any
18 other available reduction in interest rate.

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

23 (f) By January 1 of each year, the corporation shall determine whether and to
24 what extent a reduction of interest rates under this section would negatively affect the
25 corporation's bond rating and ability to fund future loans.

26 (g) If the corporation determines that a reduction of interest rates under this
27 section would negatively affect the corporation's bond rating or its ability to fund
28 future loans, the commission may not provide a reduction in loan interest rates under
29 (a) or (b) of this section for the affected fiscal years unless an appropriation is made to
30 cover the costs of the reduction. If the appropriation is inadequate to pay reductions in
31 interest rates for all eligible loans, the commission shall prorate all reductions in

1 interest rates provided under this section.

2 (h) A person who is issued a reduction in the interest rate under this section is
3 eligible to continue receiving the reduction in interest rate, subject to the availability
4 of funds, if the person was a resident of the state for not less than five years after
5 completion of the program for which the loan was issued and leaves the state for not
6 more than one year during the period of repayment of the loan.

7 (i) A person who is issued a reduction in the interest rate under this section in
8 error shall repay the amount of the reduction, plus interest.

9 (j) The commission may adopt regulations necessary to implement this
10 section. The regulations must include a description of timely completion of
11 postsecondary education programs.

12 (k) In this section, "resident" or "residency" means living in the state with the
13 intention of remaining permanently without claiming residency in another state or
14 country.

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

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

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

21 **Sec. 14.43.171. Applicability of other laws.** The provisions of
22 AS 14.43.120(d)(4), 14.43.122, 14.43.123, 14.43.135, 14.43.140, 14.43.145 -
23 14.43.160, 14.43.164, 14.43.166, and 14.43.168 apply to the loans made under
24 AS 14.43.170 - 14.43.175 as if the loans were made under those applicable provisions.