

**HOUSE BILL NO. 63**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES GARA AND ORTIZ

Introduced: 1/16/15

Referred: Prefiled

**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 (g) 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 or is making progress toward completing  
5 in a timely manner the degree or certificate program for which the loan was issued.

6 (b) A borrower becomes ineligible for a reduction in the interest rate under  
7 this section if, at any point, the borrower no longer meets the requirements of (a) of  
8 this section, except that, if a borrower becomes ineligible for failure to make progress  
9 toward completing in a timely manner the degree or certificate program for which the  
10 loan was issued, the borrower may become eligible for a reduction in the interest rate  
11 under this section if the borrower completes the degree or certificate program for  
12 which the loan was issued and meets the remaining requirements of (a) of this section.

13 (c) A reduction in the interest rate under (a) of this section does not apply to  
14 principal and interest paid on the loan before a borrower becomes eligible for the  
15 reduction or during any period when the borrower becomes ineligible for the  
16 reduction. A reduction in the interest rate under this section is subject to appropriation  
17 by the legislature to the commission of the amount necessary to offset the amount of  
18 reduced interest provided to borrowers. The commission shall, by regulation, establish  
19 an equitable system for reducing or prorating interest rate reductions among borrowers  
20 if the amount appropriated is insufficient to offset the full amount of interest rate  
21 reductions.

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

24 (e) A borrower who is issued a reduction in the interest rate of a loan under  
25 this section in error shall repay the amount of the reduction, plus interest.

26 (f) Notwithstanding a reduction in interest rate available to a borrower under  
27 this section, the corporation may maintain a minimum three percent interest rate for  
28 loans issued by the corporation if necessary for a purpose that is consistent with the  
29 duties of the corporation.

30 (g) By January 1 of each year, the corporation shall determine whether and to  
31 what extent a reduction in interest rates under this section would negatively affect the

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

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

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

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

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

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

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

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