ALASKA STUDENT LOAN CORPORATION

February 6, 2025

Corporation Meeting

Providing Education & Career Funding Solutions

ALASKA STUDENT LOAN CORPORATION
BOARD MEETING

Zoom link
Meeting #: 943 8236 9624
Password: ASLC
Teleconference: (888) 788-0099; Code: 943 8236 9624 #

AGENDA

February 6, 2025

1.	**1:30 p.m.**	Convene/Roll Call
2.*		Adoption of Agenda • *Suggested motion: move to adopt the agenda of the February 6, 2025 Corporation Meeting.*
3.		Ethics Disclosure Relative to Adopted Agenda
4.*		Approval of Meeting Minutes from November 7, 2024 ➢ *Suggested Motion: move approval of the meeting minutes from the November 7, 2024 Corporation Meeting.*
5.		Public Testimony: • Individuals: 3-minute limit • Group Representatives: 5-minute limit
6.	**1:45 p.m.**	Executive Officer Report – Acting Executive Officer Kerry Thomas
7.*	**2:00 p.m.**	Adoption of Proposed Annual and Aggregate Loan Limits – Program Operations Director Kerry Thomas ➢ *See suggested motion in memorandum*
8.*	**2:30 p.m.**	Adoption of Loan Program Fixed Interest Rates for Academic Year 2025-2026 – Chief Finance Officer Julie Pierce ➢ *See suggested motion in memorandum*
9.		Discussion of 2025 Future Meeting Dates • May 8, 2025 at 1:30 p.m. • November 6, 2025 at 1:30 p.m.
10.		Board Member Closing Comments
11.*	**3:00 p.m.**	Adjournment ➢ *Suggested Motion: Move the Board adjourn the February 6, 2025 Corporation Meeting.*

*Action Required

ALASKA STUDENT LOAN CORPORATION
Meeting Minutes of
November 7, 2024

A meeting of the Alaska Student Loan Corporation (ASLC), conducted via distance delivery, originated from the office of the Corporation at 3030 Vintage Boulevard, Juneau, Alaska on November 7, 2024. Chair Fowler called the meeting to order at approximately 1:32 p.m.

ATTENDEES

Board Members present for all or portions of the meeting: Joshua Bicchinella, Donald Handeland, Micaela Fowler, and Genevieve Wojtusik

Board Members absent: Dave Donley

Corporation Staff present for all or portions of the meeting: Acting Executive Officer Kerry Thomas, Director of Information Support Services Jamie Oliphant, Chief Finance Officer Julie Pierce and Executive Secretary Danni Erickson

Presenters in attendance: Adam Sycks and Karen Tarver with Elgee Rehfeld; Lee Donner and Tim Webb with Hilltop Securities

ADOPTION OF AGENDA

Member Wojtusik moved to adopt the agenda of the November 7, 2024 Corporation meeting. Member Handeland seconded the motion. By roll call vote, all members present voted aye. The motion carried.

ETHICS DISCLOSURE

No ethics disclosures were made during this meeting.

ELECTION OF OFFICERS

Chair Fowler moved to appoint Member Bicchinella as Chair of the Board. Member Wojtusik seconded the motion. By roll call vote all members present voted aye. The motion carried. Member Fowler moved to appoint Member Handeland as Vice Chair. Member Wojtusik seconded the motion. By roll call vote, all members present voted aye. The motion carried.

APPROVAL OF MINUTES

Vice Chair Handeland moved to approve the minutes from the May 9, 2024 Corporation meeting. Chair Bicchinella seconded the motion. By roll call vote, all members present voted aye. The motion carried.

PUBLIC TESTIMONY

Chair Bicchinella opened the public testimony period. There being no public testifiers, Chair Bicchinella closed the period for public testimony.

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EXECUTIVE OFFICER REPORT – ACTING EXECUTIVE OFFICER KERRY THOMAS

Kerry Thomas, Acting Executive Officer, first provided an update on her role as the Acting Executive Officer. She explained that she was appointed on October 1st as Acting Executive Director for the Alaska Commission on Postsecondary Education, which puts her in the same role as Acting Executive Officer for the Corporation. She noted that it has been a short time since she has been in the role and as such she provided the same report that was used for the October Commission Meeting. She added that the report was more for informational purposes to the board and that there was nothing in particular she wanted to highlight, but was available for any questions if needed.

CHIEF FINANCE OFFICER REPORT – CFO JULIE PIERCE

Julie Pierce, Chief Finance Officer, explained that as part of the Strategic Planning process, ACPE developed a list of strategic priorities and provided an update of those priorities to the Commission at its October 2024 Work Session. Consistent with the focus of the Corporation board and management, one of the strategic priorities is to operate a financially sustainable organization. She noted that her report reflects the update to the Commission on some of the focus areas and completed projects and initiatives that support this sustainability priority, including cost savings from office relocations, enhancements to the loan rate setting process, cost savings from outsourcing, cost savings from the redemption of outstanding and long-term debt, and others.

She then explained that her report contained more detail but noted that the financial impact of several of these initiatives are reflected in the last couple of years' financial statements through reduced expenses and increased income. She concluded by stating that management are aware of the risk of loss on investments and the volatility over time but continuing to manage and operate a financially sustainable organization going forward remains a strategic priority for all. She then opened for questions.

PRESENTATION ON FINANCIAL STATEMENTS – CHIEF FINANCE OFFICER JULIE PIERCE AND ADAM SYCKS, CPA, PARTNER, ELGEE REHFELD, LLC

Julie Pierce, CFO, explained that her Cover Memo to the Annual Financial Statements Report for FY24 highlights the financial results and primary variances between FY24 and FY23. Similar to what is outlined in the management discussion and analysis section of the packet is the statement of net position or the balance sheet, and it reflected that overall total assets increased from $213 million to $222 million, due to an increase in investment balances offset with a decrease in loan receivable balances. She then noted that on page 28 of the packet was the statement of revenues, expenses and changes in net position for the income statement, which reflects net income for the FY of $9.5 million compared with an income of $9.8 million in the prior year. Net income consisted of interest income on loans, which was about the same year over year. She also noted that investment income that increased $3.6 million year over year and the provision for loan loss

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increased $4.8 million year over year and operating expenses decreased a million dollars year over year. She then turned it over to Adam Sycks, a Partner with Elgee Rehfeld, to present the audit report and letter to the Board.

Mr. Sycks explained that he was the lead Partner for the financial statement audit of the Alaska Student Loan Corporation for Fiscal Year 2024. He noted that Karen Tarver, a Partner with Elgee Rehfeld, was also on the call and was the Lead Partner on the compliance portion of the single audit for the Federal Loan Program. He noted that Elgee Rehfeld has been auditing ASLC since 2002 and he has been on the job in various roles beginning in 2010. Elgee Rehfeld has a long history of seeing the organization as its gone through its changes and it has been a very worthwhile endeavor for his organization and they always enjoy the audit. He noted that this is one of the few audits they actually look forward to, as the preparation work by Julie and her Team is top notch.

He continued and noted that his report would be very high level and added that CFO Pierce would be more than capable of providing details of the financial statements themselves. He explained that he would focus on the audit reports both over the financial statements as well as the two compliance reports and the letter to the Board. He noted that both he and Karen would be available for questions at the end.

He explained that this would be a very "boring" audit report, which is the best kind of audit reports you can have. He noted that April is when they start having conversations with CFO Pierce and her Team on planning for any possible interim testing that they need to do over compliance changes, like with the outsourcing of servicing and the originations of ASLC loans. This is the time for them to develop a plan and then eventually begin prepping for the actual fieldwork for the audit. He noted this one was a quick turnaround with Elgee Rehfeld issuing the audit report on September 30, 2024. It speaks very highly to the amount of preparation that the Team is able to pull together to go from audit field work to an issuance in 30 days. That is about half the time they normally have for any of their governmental and nonprofit clients. Normally, they would expect a window of about 60 days, but they are able to meet this deadline and compile the audit for this pretty complex organization within a short window due to the efforts of CFO Pierce and her Team.

He then explained that the first section of the audit report provides Elgee Rehfeld's opinion that the financial statements are fairly presented with all material respects. The rest of the report is a clean opinion, which is what is wanted on an audit. The report details how they base that opinion, the audit standards that they apply to themselves in delineating the responsibilities between management and them as the auditors, without putting too fine a point on it. He explained that their responsibilities as the auditors is to come in and grade the work of management on compiling all of the information throughout the year and accounting for them within general accounting standards. He noted that they do not audit down to the penny, but develop a risk based approach to look at what are risky areas that are subject to possible misstatement of the financials. Then they plan with the organization to go about auditing the rest of the reports.

He noted that the compliance reports could also be found in the meeting packet. They are reports that they issue in accordance with the Federal Single Audit that is required for the ASLC because of the Federal Loans that are issued. This portion of their audit has changed year of year and especially in the past couple of years due to the outsourcing of the originations and servicing of

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the loans. With this portion of the report, they issued an opinion on the compliance over the federal requirements for these loans as well as the internal control related to these programs. While the actual servicing and many of the requirements are handled via a third party, the ultimate responsibility that these programs are in compliance still rests with the ASLC and ACPE. He noted that he is, again, happy to state that this report is "boring," and that there were no issues in relation to the federal programs. They found that the programs were in compliance with all of the Federal requirements of the FFELP program.

Next, he explained that they had a few changes in accounting standards that applied during the year, but fortunately there weren't any that applied to the ASLC. He noted that there are a few on the horizon and they will be working with management to see how much of an impact these will have in the future for FY25. He explained that he didn't think they will have a very large impact on ASLC's financial statements.

He noted that the Student Loan Corporation has been able to reduce its total expenses by about 30% without any disruption to its servicing abilities or revenues coming in. On a financial basis, its pretty incredible to see a savings of 30% on total expenses over the course of 5 years. He then highlighted the letter to the board which is a required communication between the auditors and the Corporation. This letter helps to put the financial statements into context. He added that most of the letter would look pretty similar to the prior year and includes a lot of boilerplate language, which is what you want to hear. He added that this is the communication in which, if there were any issues they would be disclosed along with any special items that they think are of particular importance to the Board. He was happy to report that there were no disagreements with management and no findings in the financial statements or on the compliance over the major federal programs. The one item he wanted to point out to the Board which was that accounting estimates are an integral part of the financial statements and are based on management's judgements. They do not have any concerns here, but it is kind of a disclaimer that actual results may vary from the estimate and it is good to be aware that the loans are recorded at their collectible value and reduced by the estimated doubtful loans and doubtful interest, which is a large estimate based on management's calculations.

He concluded his remarks by again expressing that it is a pleasure to work with the Commission, CFO Pierce and her Team. He then opened for questions.

Member Wojtusik moved to accept the financial statements of the Alaska Student Loan Corporation for the year ending June 30, 2024. Member Fowler seconded the motion. By roll call vote, all members present voted aye. The motion carried.

Discussion: Member Fowler expressed her appreciation for Elgee Rehfeld's thorough work and detailed presentation of the materials. She also thanked former Executive Director Sana Efird. She noted that she is very appreciative of the work that all parties did on behalf of the Board.

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DIVIDEND RECOMMENDATION – CHIEF FINANCE OFFICER JULIE PIERCE

Julie Pierce, CFO, explained that in accordance with Alaska statutes, the Board may elect to pay the State a dividend for each base fiscal year that the corporation's net income equals or exceeds 2 million dollars. For the year ending June 30, 2024, which is the year relative to a fiscal year 2026 dividend, the Corporation's Change in net position was $9,499,000. Therefore, if the Corporation was to declare a dividend, it should be no less than $949,900 and no more than $3,324,650. However, in light of the Corporation's efforts to keep loan interest rates as low as possible for student borrowers, offset past net losses to the Alaska Student Loan Corporation Fund, and continue to operate a sustainable student loan program, management recommended that no dividend be declared for the 2026 fiscal year. It was noted that the Executive Officer met with Office of Management and Budget leadership and staff and apprised them of this recommendation to support the Corporation's statutory mission.

Chair Bicchinella moved to accept management's recommendation that no ASLC dividend be declared for Fiscal Year 2026. Member Wojtusik seconded the motion. By roll call vote, all members present voted aye. The motion carried.

Discussion: none.

LOAN PROGRAM CHANGES – ACTING EXECUTIVE OFFICER KERRY THOMAS

Kerry Thomas, Acting Executive Officer, explained that her memo summarized recommendations from staff for loan program changes for the 2025/2026 Program Year. She noted that at the prior Board Meeting, she provided a presentation on loan applications over the last year which looked at the different FICO scores and reasons for denial and she had committed to bringing back a recommendation for changes to the program. She added that they try very hard to balance access to loans while balancing the risk associated with providing loans to additional populations, especially with the recommendation she was bringing forward. She noted that they worked very closely with the Commission's financial advisors in the process of bringing the proposal forward to the Board. She highlighted that the memo outlined the existing risk mitigation strategies that are in place and added that those are paramount when considering increasing access to loans and balancing risk.

She briefly walked through the proposed changes. First relative to the Alaska Supplemental Education Loan Program, staff recommended reducing the minimum FICO score from 650 to 640 for borrowers and cosigners. She added that the data shows a large number of applications are declined when FICO scores are between 640 and 649. So the recommendation is to improve access to funding and increase loan volume while mitigating the risk of lowering the credit score. She noted that with this lowered requirement they are seeking to require a cosigner for borrowers with a 640 to 649 FICO score or if they do not have a cosigner in that credit tier they would be required to start making $50 monthly payments while in school. This requirement is called an immediate repayment loan.

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The next recommended change she highlighted was to provide additional outreach to borrowers with immediate repayment loans which is a relatively new loan type for the ASLC and ACPE. She noted that they do not have concerns that borrowers taking out immediate repayment loans don't understand the monthly obligation, however staff feel it is necessary to get ahead of any possible issues down the line so they plan to implement some new communications. Upon loan consummation for immediate repayment loans, staff plan to send emails outlining the terms and conditions of the loans and the monthly payment obligation. Then after 30 days, they will send another communication to borrowers with that loan type to ensure they're prepared to begin payments and set up recurring payments. They will also provide instructions on how to set up those payments.

She then explained staff also recommend establishing a new two-tier loan limit that includes a maximum borrowing limit for the Alaska Education Loan Refinancing Program. Staff proposed the following:

- Tier 1: Refinance loans up to $125,000 will be approved based on the existing FICO requirements.
- Tier 2: Refinance loans over $125,000 up to a maximum of $250,000 will be approved based on the existing FICO requirements and new debt-to-income (DTI) ratio.

They also recommend expanding existing underwriting criteria to include a DTI ratio of 45% or less for loans over $125,000. She noted that this ratio aligns with the refinance industry average for DTI.

Discussion: Member Wojtusik asked for history on the change to reduce the minimum FICO score from 650 to 640 for borrowers and cosigners and if there were any approved loans before if the borrower did not have a credit-worthy cosigner. Acting Executive Officer Thomas explained that under current credit criteria for low tier FICO scores (650 to 679), there is no requirement for a cosigner. If a borrower has a FICO score between 650 and 679, they can choose immediate repayment or a fully deferred loan. She explained that staff are proposing to reduce the FICO requirement by 10 points, but require that one of the applicants, either the borrower or the cosigner, has that minimum FICO score or if there is no cosigner that the borrower goes into immediate repayment but if they do have one, than they do not go into immediate repayment.

There was some discussion about the total percentage of applications that were declined due to their FICO score being between 640 to 649. While Acting Executive Officer Thomas didn't have the exact percentage, she was able to state that there were a total of 80 applications denied in the last fiscal year. She also noted that a handful of them did return and reapply with a cosigner and, ultimately, got the loan, but the vast majority of them did not. She added that they do not know if these borrowers found other funding or what their outcome was. She also noted that with these borrowers they will look for derogatory credit items such as delinquency, bankruptcy and judgements. Therefore, approval would be based on a combination of the FICO score and a lack of adverse credit. Lee Donner with Hilltop Securities noted that they did review the proposed policy changes and while decreasing the required FICO score is increasing default risk, having the backup in a repayment reduces the risk of delinquency and default. He added that by having borrowers go into immediate repayment helps mitigate risk because it gets borrowers into a habit of repayment early on.

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Member Fowler first asked if there was a percentage or approximate number of borrowers who have been in that 650 to 679 FICO range that are now going to be required to either go into repayment or have a cosigner, but wouldn't have if we didn't extend down to the 640 minimum. She also asked how the minimum payment amount of $50 was developed. She noted that with the lives of students in school, $50 seemed like a higher amount and she was hoping they could achieve the same sort of incentive with a lower dollar amount. She wanted to recognize that these types of borrowers were likely primarily younger people who were trying to put themselves through college. Acting Executive Officer Thomas explained that she did not have the data in front of her, but her recollection was that about a quarter or 25% or so of loans are issued at the lowest FICO tier, and they actually offer most of their loans at the higher tiers. She then explained that in regards to minimum payment of $50, this was something that ACPE adopted several years ago as a way to incentivize repayment on fully deferred loans. Prior to having an immediate repay loan, they offered a quarter percent interest rate reduction to students who paid $50 a month while they were in school. She also noted that they looked at models across the country from student loan providers that offer immediate repay loans and some offer what they call a "check-in" payment in order to build that repayment habit. Some lenders require something very minimal, like $10 payments. She explained that they evaluated what other lenders have offered in trying to find something that made it worthwhile to process the payment while making some impact on the loan's accruing interest and not making it too expensive. Member Fowler then asked if borrowers in this case would also get the interest rate reduction. Acting Executive Officer Thomas explained that borrowers would not due to interest rates for immediate repayment loans already being at a lower rate. Borrowers get a lower interest rate for the life of the loan, so the additional reduction for deferred loans is no longer offered.

There was lots of discussion about the validity of requiring a $20 amount for the immediate repayment group instead of $50. Members Fowler and Wojtusik both expressed their support for this. Staff did not have any issues nor did they see any reason the payment should not be lowered. It was noted that there may be some communication issues during the transition period but they could be worked through. Mr. Donner with Hilltop did express concern that the $20 payments may not cover the cost of collecting those payments. Staff explained that there wouldn't be any concern for potential net loss on collection as the Commission does not pay a per payment fee to its servicer. They pay a fee based on the status of the loan, which is a flat dollar amount per month based on whether the loan is in school status, in deferment or is delinquent. Therefore, the payment processing fee would not be an issue in this case.

Member Fowler asked if everyone who is currently in an in-school payment program, if they opted in to that program or if they were required. Staff explained that borrowers opted in and were not required.

Chair Bicchinella moved to approve staff's recommendation to lower the FICO credit score for the Alaska Supplemental Education Loan Program from 650 to 640 for borrowers and cosigners and require immediate repayment of $50 for borrowers with a FICO between 640-679 without a cosigner and to impose a maximum loan limit of $250,000 on the Alaska Education Loan Refinancing Program and expand the underwriting criteria to include a debt-to-income ratio of 45% or less for refinance loans above $125,000. Member Handeland seconded the motion. Member Wojtusik moved to amend the motion to lower the immediate repayment amount to $20 instead of $50. Member Fowler seconded the amendment. By roll call vote, all members present voted aye on the amendment. The amendment carried. By roll call vote, all members present voted aye on the original motion with the amended language. The amended motion carried.

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EXECUTIVE SESSION

Chair Bicchinella moved that the Alaska Student Loan Corporation convene an executive session to discuss the FY26 budget priorities for the corporation. Under the Open Meetings Act, AS 44.62.310(c)(4), this is a matter involving consideration of government records that by law are not subject to public disclosure. Member Fowler seconded the motion. By roll call vote, all members present voted aye. The motion carried.

RECONVENE/ROLL CALL

Upon reconvening, Chair Bicchinella noted that during the Executive Session, the Alaska Student Loan Corporation only discussed the items identified in the motion to move into Executive Session. They did not take any action while in Executive Session.

BOARD MEMBER CLOSING COMMENTS

Chair Bicchinella expressed that it is a pleasure to serve on the Board. He noted that he looks forward to the next year and working with each Board Member and Corporation Staff as they advance forward into the new and ever changing landscape that is education and loan servicing. He thanked everyone for being at the meeting.

ADJOURN

Member Fowler moved to adjourn the November 7, 2024 Corporation Meeting. Member Handeland seconded the motion. By roll call vote, all members present voted aye. The motion carried.

The meeting adjourned at approximately 2:51 p.m.

Approved by:

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Joshua Bicchinella, Chair

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Date

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MEMORANDUM

TO: Members, Alaska Commission on Postsecondary Education
FROM: Kerry Thomas, Acting Executive Director
DATE: December 30, 2024
SUBJECT: Executive Director Report

During this quarter, efforts have been focused on implementing changes to the Alaska Performance Scholarship (APS) Program, finalizing the proposed FY26 budget, and preparing for the upcoming legislative session.

Budget Update:

Governor Dunleavy released his FY2026 Proposed Budget on December 12, 2024. This budget continues the Governor's priorities of public safety, education, energy development, transportation, resources, and affordability. As it has every year since taking office, the Governor's proposed budget includes a full Permanent Fund Dividend according to the formula in statute.

The Alaska Commission on Postsecondary Education (ACPE) FY2026 Proposed Budget is basically a status quo request with a few technical changes in personal services calculations to accommodate increases in health insurance and PERS rate adjustments.

Legislative Planning:

The first session of Alaska's 34th Legislature will convene on January 21, 2025. ACPE does not have any Governor sponsored bills; however, we will be monitoring bills as they are filed for possible impact on higher education or ACPE operations and programs. With the start of session, I will be meeting legislators and staff to share information on ACPE's mission and programs and to advocate for support of higher education access and funding opportunities for all Alaskans.

The 2025 APS Outcomes Report is due to the legislature in late January and will be shared with commission members and higher education stakeholders.

Human Resources Update:

Recruitment efforts and staff changes over the last quarter resulted in the appointment of two new employees and the separation of one employee. Joel Jacobson, Analyst/Programmer, joined the Information Support Services Team on January 6, 2025. Ali Juan was appointed to Accountant II on November 6, 2024. Ali has worked as a College Intern and an Accounting Technician I since joining the Commission in 2022. Sharon Love, Accounting Technician III, resigned from the Commission on November 7, 2024 after over 6 years of service.

Currently, ACPE has 42 positions filled: 10 in Anchorage, 32 in Juneau. The breakdown of filled positions by divisions is as follows: ISS-9, Finance-10, Program Operations-14, Outreach-7, and Executive Office-2. There are six employees eligible to retire in calendar year 2024.

At present, ACPE has 10 vacant positions. The breakdown of vacant positions by division is as follows: ISS-1, Finance-4, Program Operations-3, Outreach-1, and Executive Office-1. Recruitment efforts are underway for an Accountant V in Finance and an Executive Director for the Executive Office.

ACPE has 52 PCNs, including 11 in Anchorage and 41 in Juneau. Management continues to review all vacant positions for future need including possible deletion or reclassification to retain the flexibility needed to provide support for agency initiatives.

ACPE is currently comprised of 27 females (64%) and 15 males (36%) as compared to the statewide employee breakdown of 6,848 females (48%) and 7,379 males (52%). The average age of ACPE employees is 46.0 years as compared to the statewide average of 43.6 years. The racial and ethnic demographics of ACPE employees are White (86%) and minorities (14%) as compared to statewide demographics of White (74%) and minorities (26%). See State of Alaska Workforce Profile Fiscal Year 2023 for additional information.

Alaska Student Loan Corporation Meeting:

The Corporation Board met on November 7, 2024 to review the annual audited financial statements, the annual dividend to the State of Alaska and loan program changes. The Board approved the underwriting criteria and loan limits for Program Year 2025/2026 to the Alaska Supplemental Education Loan (ASEL) Program and Alaska Refinance Loan Program (Refi) and the following program changes:

- lowered the FICO credit score for the ASEL from 650 to 640 for borrowers and cosigners, and require immediate repayment for borrowers with a FICO between 640-679 without a cosigner
- imposed a maximum loan limit of $250,000 on Refi loans
- expanded the underwriting criteria to include a debt-to-income ratio of 45% or less for Refi loans above $125,000

Professional Organization Meetings/Presentations:

- kickoff of the APS Cross Agency Workgroup – December 9, 2024
    - Next meeting scheduled mid-January 2025
- continued bi-weekly meetings with UA Vice Presidents Paul Layer and Michelle Rizk
- Alaska Statewide Education Leaders meeting, facilitated by the Alaska Council of School Administrators
- legislative planning meeting with WWAMI Director Dr. Suzanne Allen

THE STATE of ALASKA
GOVERNOR MIKE DUNLEAVY

Alaska Student Loan Corporation

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MEMORANDUM

To:	Alaska Student Loan Corporation Members
Through:	Kerry Thomas, Director of Program Operations, Acting Executive Director
From:	Jackie Hall, Program Manager
Date:	January 9, 2024
Subject:	Recommendations for Annual and Aggregate Loan Limits

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This memorandum contains staff recommendations for annual and aggregate loan limits beginning with the 2025/2026 program year. The recommendations are based on available data and align with the statutory and regulatory requirements for the Alaska Supplemental Education (ASEL) and Alaska Family Education Loan (FEL) Programs.

Background

Alaska Statute 14.43.173 empowers the Alaska Student Loan Corporation (ASLC) to finance Alaska Supplemental Education and Alaska Family Education Loans up to a maximum amount determined by the Corporation for undergraduate, graduate, and career education programs.

In response to the current costs of education and students' supplemental funding needs, the Corporation raised the annual loan limit to $24,000 for full-time enrollment and the aggregate loan limit to $96,000, beginning with the 2023/2024 program year.

Annual Review

To ensure that existing loan limits align with the current costs of attendance, staff conduct an annual review of in state and out-of-state tuition levels, student financial aid sources, and unmet needs. This review also considers the Alaska Commission on Postsecondary Education (ACPE) loan awards and student borrowing trends when considering changes to existing loan limits.

ACPE staff review and recommendation are based on ACPE's loan awards and borrowing trends with data available through December 2024.

- **Changes in Cost of Attendance:** An aggregate review of the most recently available cost of attendance data for top in state and out-of-state schools shows only slight increases from the academic year 2022 to the academic year 2023. The average cost of attendance for an out-of-state school with a student living on-campus during this period increased by 2.9%. The average cost of a student attending an Alaska school and living on campus increased by 0.4%.

- **Annual Loan Awards and Trends:** ACPE has awarded 158 loans for the 2025 program year, with 150 loans for full-time enrollment and six for half-time enrollment. Most of these loans were awarded for less than the annual maximum of $24,000 for full-time or $12,000 for half-time enrollment. Fifty-one loans were awarded at the annual maximum, representing 32% of the loan volume to date, nearly double the percentage since the last program year.
- **Aggregate:** ACPE has disbursed loans to approximately 164,470 borrowers since the inception of our ASEL and FEL programs. Since increasing the aggregate loan maximum limit to $96,000, only two borrowers have reached the aggregate loan maximum.

Recommendation

Based on thorough research and data trends, ACPE recommends no changes to the existing annual and aggregate loan limits for the 2025/2026 program year. This recommendation continues to support ACPE's objective to help students meet their supplemental needs for funding.

Sample Motion

Move approval to maintain the existing annual and aggregate loan limits for the Alaska Supplemental Education Loan Program and Alaska Family Education Loan Program as outlined in this memorandum.

Definitions

Cost of attendance (COA) represents the average annual cost to attend a specific college, university, or training program.

Unmet need is the gap between a student's total college costs, including tuition and non-tuition expenses, and the funds available through grant aid and family resources.

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Memorandum

To:	Alaska Student Loan Corporation Board Members
Thru:	Kerry Thomas, Acting Executive Officer
From:	Julie Pierce, Chief Finance Officer
Date:	February 6, 2025
Re:	Recommended Interest Rates for Loans Awarded and Specified Effective Dates

The Corporation sets the interest rate for loans it originates pursuant to the provisions set forth in AS 14.42.215 and 20 AAC 14.050. The interest rates set are fixed rates that, once set, remain in effect for the life of the loan. From time to time as it deems appropriate, but at least annually, the Corporation will set loan interest rates and the effective date for those interest rates. The interest rates apply to loans that the Corporation originates, consolidates, or refinances starting on the effective date.

Corporation regulations specify that the Corporation establish rates that:

- do not exceed the legal rate applicable in the state for such loans (10%);
- do not exceed the all-inclusive cost, expressed as a rate on fixed rate debt incurred to finance the loans plus a percentage representing operating and servicing costs;
- ensure loans made are of sufficient value to be financed or refinanced; and
- ensure the financial stability of the Corporation's loan programs.

Cost expressed as a Rate: As outlined in the prior year and discussed over the last several years, loan principal repayments on the Corporation's outstanding student loan portfolio significantly exceeded loan originations resulting in a decline in the total loan portfolio principal balance. Cost reduction efforts, net of expected long term investment income and loan losses, have been made to reduce net costs to a level the loan portfolio can support at rates proposed to be competitive but financially sustainable. This is a long-term approach that sets rates at a level that is competitive in the market and is beneficial to borrowers and the Corporation.

Credit Risk: As part of an overall focus on default management, Staff continues to review existing, and develop additional, strategies to reduce credit risk. ASLC reduces credit risk by adopting risk based lending practices by setting loan rates based on FICO score tiers, requiring no adverse credit for in-school loans, providing reduced rate tiers for the immediate repayment loan option and rate reduction incentives for enrollment in auto-pay and for borrowers making payments while their loan is not in repayment status.

Market Rates:
ACPE encourages students to first utilize the federal direct subsidized and unsubsidized Stafford loans before considering ACPE Alaska Supplemental Education Loans (ASEL). The federal unsubsidized and subsidized loan rates for program year 2024-2025 and 2024-2024 were 6.53% and 5.50%, respectively. ACPE proposed ASEL rates are lower than the current rates as management is focused on setting rates as low as possible to increase awareness of the loan program balanced with rates set at a financially sustainable level.

The Corporation considers the Federal PLUS loan program to be its primary competitor, in addition to other private student loan originators. The interest rate on the PLUS program is reset each year based on the high yield of the 10-year Treasury notes auctioned at the final auction held before June 1 plus 4.60%. The maximum interest rate allowed for Direct PLUS Loans is 10.50%. The Direct PLUS loan rate for program year 2024-2025 and 2023-2024 were 9.08% and 8.05%, respectively (additionally, PLUS loans require a 4.23% origination fee that increases the APR of these loans). While the Federal Open Market Committee reduced the overnight fed funds rate in their last three meetings for a total reduction of 100bp, the 10 Year Treasury has been more volatile during that same period but overall has not decreased through that period or compared with a year ago. Interest rates being proposed herein are based on the assumption that the PLUS rate for 2025-26 will be equal to or lower than the current PLUS rate of 9.08%.

Staff also considers known rates offered by other private loan originators and their underwriting criteria.

Proposed Rates

Alaska Supplemental Education Loans (ASEL) rates proposed are as follows:

Program (max loan term)	Fixed Rate ASEL (10 years)		
Effective Date	July 1, 2025		
FICO[1] Range	640-679	680-719	720+
Underwriting Criteria	No Adverse Credit	No Adverse Credit	No Adverse Credit
Base Rate	10.00%	6.50%	5.75%
Interest Rate Reduction [2]	0.25%	0.25%	0.25%
Lowest Rate	9.75%	6.25%	5.50%

Alaska Supplemental Education Loans (ASEL) rates <u>WITH Immediate Repayment</u> option proposed are as follows:

Program (max loan term)	Fixed Rate ASEL – Immediate Repay Option (10 years)		
Effective Date	July 1, 2025		
FICO[3] Range	640-679	680-719	720+
Underwriting Criteria	No Adverse Credit	No Adverse Credit	No Adverse Credit
Base Rate	9.00%	6.00%	5.25%
Interest Rate Reduction [4]	0.25%	0.25%	0.25%
Lowest Rate	8.75%	5.75%	5.00%

[1] Fair Isaac & Company score (FICO) is the score used to secure the loan and can be either the borrower's score or the cosigner's score. In the event both the borrower and the cosigner have qualifying scores, the highest score will be used to determine the loan rate.

[2] Rate reduction is available to borrowers in repayment, making recurring monthly payments and those not in repayment making at least a $50 monthly recurring payment per loan.

[3] Fair Isaac & Company score (FICO) is the score used to secure the loan and can be either the borrower's score or the cosigner's score. In the event both the borrower and the cosigner have qualifying scores, the highest score will be used to determine the loan rate.

[4] Rate reduction is available to borrowers in repayment, making recurring monthly payments and those not in repayment making at least a $50 monthly recurring payment per loan.

Other loan program rates proposed are as follows:

Program (max loan term)	Variable Rate ASEL[5]	Fixed Rate PSEP[6] (10 years)	Fixed Rate FEL (10 years)
Effective Date	**July 1 – June 30**	**July 1, 2025**	**July 1, 2025**
Underwriting Criteria	No Adverse Credit	No Adverse Credit	No Adverse Credit
Base Rate	TBD TBD[7]	6.50%	6.50%
Interest Rate Reduction	0.25%	0.25%	0.25%
Lowest Rate	TBD TBD[6]	6.25%	6.25%

The proposed rates differ from rates currently being offered as follows:

ASEL 640 – 679 FICO: Deferred and Immediate – no change
ASEL 680 – 719 FICO: Deferred, Immediate repay, PSEP and FEL – 50bp lower
ASEL 720+ FICO: Deferred and Immediate repay – 50bp lower

[5] No longer originated but rate is reset annually for existing loans. Rate to be set in May 2025.
[6] Professional Student Exchange Program
[7] Applicable in-school interest rate.

Refinance Rates proposed are as follows:

Program (max loan term)	Fixed Rate REFI (5 years)			Fixed Rate REFI (10 years)			Fixed Rate REFI (15 years)		
Effective Date	May 1, 2025, or as soon as administratively feasible			May 1, 2025, or as soon as administratively feasible			May 1, 2025, or as soon as administratively feasible		
FICO Range	FICO 680-719	FICO 720-779	FICO 780+	FICO 680-719	FICO 720-779	FICO 780+	FICO 680-719	FICO 720-779	FICO 780+
Base Rate	7.10%	5.10%	4.85%	7.30%	5.20%	4.95%	7.50%	5.50%	5.25%

Proposed REFI rates are no change to the 680-719 FICO score tier, and 20bp lower for all of the remaining tiers.

Alaska Education Loan Refinance Program (REFI) rates are historically lower than other Corporation loan program rates. Refi program term distribution is heavily weighted toward 15 years compared to 5 and 10 year terms as refi loans typically carry a higher balance.

As previously outlined, considerations associated with proposed Refi rates are as follows:

- Projected interest rate environment over time, and competitor rates;
- Borrowers with higher FICO scores have demonstrably lower default rates;
- Borrowers enter repayment immediately and have very limited options to defer payments;
- Loan servicing is less complicated by design, reducing servicing costs for this program;
- Competitive rates retain premium borrowers who would otherwise refinance elsewhere; and
- Competitive rates build volume by allowing borrowers to refinance loans not originated by the Corporation.
- With board approval, Refi rates can be adjusted at any time.
- Auto-pay utilization is comparatively higher than other loan programs, reducing anticipated loan losses.

Staff recommendation: The fixed interest rates and underwriting criteria for the 2025-2026 academic year loans be set as shown in the tables above.

Requested Motion:
Move approval of the fixed interest rates and underwriting criteria for the 2025-2026 academic year loans be set as shown in the tables above.