ALASKA STUDENT LOAN CORPORATION

November 7, 2024

Corporation Meeting

ACPE
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

November 7, 2024

1.	**1:30 p.m.**	Convene/Roll Call
2.*		Adoption of Agenda • *Suggested motion: move to adopt the agenda of the November 7, 2024 Corporation Meeting.*
3.		Ethics Disclosure Relative to Adopted Agenda
4.*		Election of Officers • *ASLC Bylaws Article IV, Section 2. Election of Officers. The Board shall elect a Chair and Vice-Chair from among its membership at the last regularly scheduled meeting of the current fiscal year. The Chair and Vice-Chair shall take office immediately after election at that same meeting. The terms of office of the Chair and Vice-Chair shall be one (1) year, with no restriction on consecutive terms.*
5.*		Approval of Meeting Minutes from May 9, 2024 ➢ *Suggested Motion: move approval of the meeting minutes from the May 9, 2024 Corporation Meeting.*
6.		Public Testimony: • Individuals: 3-minute limit • Group Representatives: 5-minute limit
7.	**1:45 p.m.**	Executive Officer Report – Acting Executive Officer Kerry Thomas
8.		Chief Finance Officer Report – Chief Finance Officer Julie Pierce
9.	**2:00 p.m.**	Presentation on Financial Statements – Chief Finance Officer Julie Pierce, CPA, and Karen Tarver, CPA, Partner, Elgee Rehfeld, LLC ➢ *Suggested Motion: move to accept the Financial Statements of the Alaska Student Loan Corporation for the year ending June 30, 2024.*
10.	**2:30 p.m.**	Dividend Recommendation – Chief Finance Officer Julie Pierce ➢ *Suggested Motion: In accordance with AS 14.42.295 and the Corporation's net income for the year ending June 30, 2024, move to accept management's recommendation that no dividend be declared for Fiscal Year 2026.*
11.*	**2:45 p.m.**	Loan Program Changes – Acting Executive Officer Kerry Thomas

ALASKA STUDENT LOAN CORPORATION
BOARD MEETING

- *Suggested Motion: Move approval of the underwriting criteria and loan limits to the Alaska Supplemental Education Loan Program and Alaska Refinance Loan Program as outlined in the corresponding memorandum.*

12.		Board Member Closing Comments
13.*	**3:00 p.m.**	Adjournment

- *Suggested Motion: Move the Board adjourn the November 7, 2024 Corporation Meeting.*

*Action Required

ALASKA STUDENT LOAN CORPORATION
Meeting Summary of
May 9, 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 May 9, 2024. Acting Chair Micaela Fowler called the meeting to order at approximately 1:30 p.m.

ATTENDEES

Board Members present for all or portions of the meeting: Vice Chair (Acting Chair) Micaela Fowler, Board Member Dave Donley, Board Member Donald Handeland, and Board Member Genevieve Wojtusik

Board Members absent: none.

Corporation Staff present for all or portions of the meeting: Sana Efird, Executive Officer; Julie Pierce, Chief Finance Officer, Kerry Thomas, Director of Program Operations; Kate Hillenbrand, Director of Communications and Outreach, Jamie Oliphant, Director of Information Support Services; Andrew Bocanamenth, Assistant Attorney General; and Danni Erickson, Executive Secretary

Presenters in attendance: Zach Hanna, Chief Investment Officer, Department of Revenue; Lee Donner and Tim Webb with Hilltop Securities

ADOPTION OF AGENDA

Member Handeland moved to amend the agenda to postpone the Election of Officers until the board had full membership. Member Wojtusik seconded the amendment. By roll call vote, all members present voted aye. Member Wojtusik moved to adopt the amended agenda of the May 9, 2024 Corporation Meeting. Member Donley seconded. By roll call vote, all members present voted aye. The motion carried.

ETHICS DISCLOSURE

Relative to the adopted agenda, no potential violations were disclosed by board members.

ELECTION OF OFFICERS

The Election of Officers is postponed until the Board has full membership.

APPROVAL OF MINUTES

Member Handeland moved to approve the Minutes from the December 14, 2023 Corporation Meeting. Member Wojtusik seconded the motion. By roll call vote, all members present voted aye. The motion carried.

PUBLIC TESTIMONY

Acting Chair Fowler opened the public comment period to accept public testimony. There being no members of the public wishing to speak, Acting Chair Fowler closed the public comment period.

ALASKA STUDENT LOAN CORPORATION
Meeting Summary of
May 9, 2024

INVESTMENT PORTFOLIO MANAGEMENT, PERFORMANCE, ASSET ALLOCATION, AND POLICY REVIEW PRESENTATION – ZACH HANNA, CHIEF INVESTMENT OFFICER, DEPARTMENT OF REVENUE

Zach Hanna, Chief Investment Officer for the Treasury Division in the Department of Revenue, presented a comprehensive update on market conditions, portfolio performance, and investment strategy recommendations for the Alaska Student Loan Corporation. He began by noting that inflation has decreased from its peaks but remains problematic, largely due to higher energy prices. Despite strong wage growth and a hot labor market, the economy faces challenges in reducing inflation to the Fed's 2% target. Interest rates are expected to stay high longer than initially anticipated, which has improved bond yield expectations.

Hanna reviewed the performance of the corporation's portfolio, which has been managed by the Division of Treasury since July 2021. The portfolio, consisting of 39% equities and 61% fixed income, has performed well, achieving returns above its benchmarks despite volatile market conditions. He highlighted the strategic easing into the current asset allocation over a two-year period, which has benefited the portfolio. He noted that the portfolio's returns have been strong, with positive performance across various asset classes, particularly in domestic equities and fixed income.

In terms of investment strategy, Hanna recommended maintaining the current asset allocation for FY25, citing improved return expectations and a balanced risk profile. He explained that the portfolio's expected return of 6.51% is well above the minimum target of 4%, providing significant inflation protection and meeting operational needs. The portfolio's standard deviation indicates a manageable level of risk, and increasing the risk at this point would not significantly enhance returns. Hanna emphasized that the current strategy is well-suited to the corporation's long-term objectives and that making changes is unnecessary unless market conditions or investment attributes change significantly.

Hanna concluded by reassuring the Board that the current investment policy is sound and that the portfolio is well-positioned to achieve its goals. He highlighted the importance of not fixing what isn't broken and reiterated his confidence in the existing asset allocation. The presentation ended with an invitation for further discussion and questions, underscoring the Treasury Division's commitment to transparent and effective management of the corporation's assets.

Member Handeland moved to accept the Alaska Student Loan Corporation Investment Policy and Procedures with no material changes based on discussion and recommendation from Staff, DOR Investment Management Team, and Financial Advisor. Member Wojtusik seconded the motion. By roll call vote, all members present voted aye. The motion carried.

Discussion: Acting Chair Fowler expressed her appreciation for the amount of work that has gone into the investment policy over the years, both by past Chairs Adams and MacKinnon, as well as by CIO Hanna, CFO Pierce and Executive Officer Efird. She added that there have been robust conversations along the pathway, and it is gratifying to see the board ended up approving, with strong recommendations from its many qualified advisors, an investment policy that is continuing to serve the Corporation well.

ALASKA STUDENT LOAN CORPORATION
Meeting Summary of
May 9, 2024

CHIEF FINANCE OFFICER REPORT

This was a written only report, so no presentation was provided.

ADOPTION OF LOAN PROGRAM VARIABLE INTEREST RATES FY24-25

Julie Pierce began her report by stating the variable rate memo begins on page 44 of the packet. According to statute, the corporation sets the annual interest rates for variable rate ASEL loans on or after May 1st each year. These variable rate ASEL loans were originated from 2002 to 2006, and no new variable rate loans are currently being issued. However, there is still an outstanding current principal balance for these loans, necessitating an annual reset of the variable rate. Staff recommends that the interest rates for variable rate ASEL loans be set as follows: 7.9% during the in-school period and applicable grace and deployment periods, and 8% during the repayment period and applicable forbearance periods.

Member Donley moved to approve the variable rate interest rates for variable rate ASEL loans as recommended by staff. Member Wojtusik seconded the motion. By roll call vote, all members present voted aye. The motion carried.

Discussion: Acting Chair Fowler inquired about the remaining balance that these variable rate loans apply to. CFO Pierce responded that the remaining balance is approximately $9.5 million.

ACPE LOAN PROGRAM DATA ANALYSIS – KERRY THOMAS, DIRECTOR OF PROGRAM OPERATIONS

Kerry Thomas, Director of Program Operations for the Commission, presented an analysis of loan application data spanning from January 2023 to January 2024, focusing on the Alaska Supplemental Education Loan. The review aimed to identify areas for improvement in the loan program. A significant finding was that many loan applications were denied due to credit-related reasons, specifically insufficient FICO scores. Of the 1,200 applications, only 501 were fully disbursed, with many applicants failing the credit check or not proceeding through the process. The primary reason for denial was low FICO scores, with 126 applicants being soft declined due to scores below the minimum requirement of 650. A notable number of these applicants had scores just below the cutoff, particularly between 641 and 649. Some applicants were able to reapply successfully with creditworthy co-signers. Additionally, 30 applications were certified but not disbursed due to various reasons, including applicants opting not to borrow or not accepting revised disclosures.

Director Thomas highlighted the importance of balancing credit risk with the mission to provide funding for education. The presentation also noted that a large number of young applicants with insufficient credit history were denied, and many students who couldn't secure a co-signer ended up with high-interest loans from other lenders or couldn't attend school. Commission staff recommended considering lowering the FICO requirement for immediate repayment loans to capture more applicants who are currently just below the cutoff.

Discussion: Member Handeland raised questions about the concentration of applicants with specific FICO scores just below the cutoff and whether the use of a single credit agency (TransUnion) might influence this. Thomas

ALASKA STUDENT LOAN CORPORATION
Meeting Summary of
May 9, 2024

acknowledged the anomaly but didn't have a definitive answer, suggesting it might be due to the credit-building process. Handeland also inquired if different credit rating agencies could be considered to potentially address this issue.

Acting Chair Fowler requested additional data for the next meeting in November, specifically on whether the current FICO cutoffs disproportionately impact first-generation college students or those pursuing career and technical education. Thomas committed to providing this information to better understand the affected populations.

EXECUTIVE OFFICER REPORT

This was a written only report, so no presentation was provided.

RESOLUTION OF APPRECIATION: DR. BARBARA ADAMS

Member Donley moved to adopt the resolution as written for Dr. Barbara Adams. Member Wojtusik seconded the motion. By roll call vote, all members present voted aye. The motion carried.

Discussion: Acting Chair Fowler expressed her appreciation for having the pleasure of working with Dr. Adams and stated she would miss her service on the Student Corporation Board going forward. She noted she was incredibly grateful for the time and leadership that she provided to the Board.

FUTURE PROPOSED MEETING DATES

Member Wojtusik moved to adopt the future meeting dates as follows: Thursday, December 12, 2024; Thursday, February 6, 2025 at 1:30 p.m.; Thursday, May 8, 2025 at 1:30 p.m.; and Thursday, November 6, 2025 at 1:30 p.m. Member Donley seconded the motion. By roll call vote, all members present voted aye. The motion carried.

Discussion: Acting Chair Fowler noted that the next Corporation Board Meeting was scheduled for November 7, 2024.

CLOSING COMMENTS

Executive Officer Efird thanked Board Members for their time and stated that it was nice to be sitting in the position they are currently in regards to the finances and expressed her appreciation for the Board Member's efforts in getting the Corporation to that place. She also expressed her appreciation for former Board Chair Dr. Adams' influence on those efforts. Lastly, she noted the Corporation's updated logo and shared it via the screen.

Acting Chair Fowler thanked Executive Officer Efird and her staff for their efforts and all that they take on behalf of the Board and the Corporation.

ADJOURN

Member Handeland moved to adjourn the May 9, 2024 Corporation Meeting. Member Donley seconded the motion. By roll call vote, all members present voted aye. The motion carried.

The meeting adjourned at approximately 2:37 p.m.

ALASKA STUDENT LOAN CORPORATION
Meeting Summary of
May 9, 2024

Approved by:

____
, Chair

____
Date

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MEMORANDUM

TO: Members, Alaska Commission on Postsecondary Education
FROM: Kerry Thomas, Acting Executive Director
DATE: October 8, 2024
SUBJECT: Executive Director Report

During this quarter, efforts have been focused on implementing the Alaska Performance Scholarship changes from HB148, transition related activities around the former Executive Director's retirement, and planning for the upcoming year.

Budget Update:

Senior Managers are in the budget planning and proposal process for the FY2026 Governor's Proposed Budget. Chief Finance Officer Julie Pierce and I met with the Office of Management and Budget and the Governor's Office staff in September to present ACPE's FY2026 budget proposal. This information is confidential and deliberative until the Governor releases his budget in December.

Federal Department of Education Update:

We continue to monitor the various court cases against the U.S. Department of Education aimed at stopping the full implementation of the SAVE plan. The outcome of this will impact Alaska borrowers with federal education loans, and may have a financial impact to the Alaska Student Loan Corporation, depending on what is ultimately implement.

Strategic Planning Project:

Senior Managers held a two day in-person meeting in August to monitor progress and outcomes on the strategic plan, and to evaluate projects and adjust priorities as necessary to meet business and customer needs.

Human Resources Update:

Recruitment efforts and staff changes over the last quarter resulted in the appointment of one new employee and the separation of three employees. Kelly Whistler, Administrative Assistant joined the Program Support Team on July 29, 2024. Jenn Hieber, Administrative Assistant, resigned from the Commission on August 2, 2024 after two months of service. Steffanie Reynoso, Student Intern, resigned on August 14, 2024 after two months of service. Sana Efird, Executive Director, retired on September 30, 2024. Executive Director Efird served the State of Alaska for over seventeen years and she served as Executive Director of the Commission for close to four years. Kerry Thomas, Director of Program Operations, was appointed to Acting Executive Director on October 1, 2024.

Currently, ACPE has 42 positions filled: 9 in Anchorage, 33 in Juneau. The breakdown of filled positions by divisions is as follows: ISS-8, Finance-11, 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-2, Finance-3, Program Operations-2, Outreach-1, and Executive Office-1. Recruitment efforts are underway for an Analyst/Programmer in Information Support Services 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 28 females (67%) and 14 males (33%) as compared to the statewide employee breakdown of 6,848 females (48%) and 7,379 males (52%). The average age of ACPE employees is 46.5 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 last Alaska Student Loan Corporation (ASLC) Board meeting was on May 9, 2024, and a report of the activities from that meeting was provided in July. The next meeting of the Corporation Board is scheduled for November 7, 2024.

Professional Organization Meetings/Presentations:

Prior to her retirement, former Executive Director Efird traveled for the following purposes during the quarter:

- Participated in a panel presentation on "Helping Students Pay for Unmet Need: Partnering with State-Based Nonprofits" at the SHEEO Higher Education Policy Conference
- Visited ACPE staff in Anchorage
- Participated in HB148 celebration at Kenai Peninsula College
- Met with Governor Dunleavy to provide information on ACPE's services and discuss ways ACPE can aid Alaska's current higher education priorities to support Alaska's workforce and economy
- Attended the EFC Education Finance Conference for essential meetings with industry

It is my pleasure to serve the Commission and the State of Alaska as ACPE's Acting Executive Director. Please reach out to me as needed. I am available to discuss the Commission's activities or other topics of interest.

Attachments:

1. September 30, 2024 Leadership Announcement Press Release

ACPE PRESS RELEASE

Sana Efird
Executive Director
907-465-6740
acpe.alaska.gov

FOR IMMEDIATE RELEASE

Executive Director Efird Retires, Thomas Named Acting Executive Director

Juneau, Alaska – After almost 20 years of State of Alaska service, including four years as Executive Director of the Alaska Commission on Postsecondary Education (ACPE)/Executive Officer of the Alaska Student Loan Corporation (ASLC), Sana Efird retires effective September 30, 2024. During her tenure with ACPE, Executive Director Efird led ACPE through a multi-year strategic planning process, culminating in the launch of its new strategic plan, mission, vision, and priorities in the spring of 2024. Also during this time, ACPE successfully completed a multi-phase outsourcing project of its loan originations and servicing. The outcome of this project resulted in cost-saving to the agency and allows ACPE/ASLC to continue offering education loans at the lower interest rates. Since 2020, Efird also worked with the Alaska Legislature on the passage of two major bills in support of amplifying education funding solutions for Alaskans. These pieces of legislation resulted in enhanced education loan options for students and, most recently, implementing sweeping changes to the Alaska Performance Scholarship.

During her tenure with the State of Alaska, Efird served as Deputy Commissioner of the Department of Education & Early Development and Assistant Commissioner of the Department of Health & Social Services. These roles, including that of Executive Director with ACPE, highlight Efird's passion for education and wellness of Alaskans. Executive Director Efird is looking forward to her upcoming retirement and sharing many adventures with her husband, Dwight, family and friends, and their adored Great Dane, Lola.

ACPE's Kerry Thomas, will serve as Acting Executive Director, starting October 1, 2024. Thomas brings nearly 20 years of experience within ACPE to this role. During her tenure with ACPE, Thomas served various roles including Internal Auditor and Director of Operations. Prior to ACPE, Director Thomas served as an Accounting Supervisor and Accountant IV with the State of Alaska.

Director Thomas is pleased to serve as Acting Executive Director/Executive Officer in support of the Alaska Commission on Postsecondary Education's mission to provide sustainable solutions for college, career and technical training.

ABOUT ACPE:
Funded by the Alaska Student Loan Corporation, ACPE provides sustainable solutions for college, career and technical training.

ACPE PROVIDES:
• Postsecondary education planning tools and resources
• Advocacy and support for postsecondary participation in Alaska
• Financial aid for college and career training
• Education consumer protection through Institutional Authorization and complaint investigation

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THE STATE of ALASKA
GOVERNOR MIKE DUNLEAVY

Alaska Student Loan Corporation

FINANCE OFFICE

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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: November 7, 2024

Re: Chief Finance Officer Report – Information Only

As part of the strategic planning process, ACPE developed a list of strategic priorities and goals that support those priorities. Consistent with the focus of the ASLC Board and management, one of the strategic priorities is to operate a sustainable organization responsive to students, customers, stakeholders, and employees with an associated goal to improve operational efficiency and financial sustainability of the organization. Staff provided an update to the Commission at its October work session on the projects and initiatives that have been completed over the last several years and projects in process to support these priorities and goals.

An update on the projects and initiatives that the ASLC Board has focused on to operate a financially sustainable organization including the following:

- **Completed Projects**
  - Juneau and Anchorage office relocation and cost savings
  - Enhance loan rate setting process
    - Recommendations in consideration of income and loan volume projections, cost recovery, market rate environment, loan limits, other risk considerations and financial advisor feedback with the goal of ensuring low cost funding for students
  - Outsource loan servicing, loan originations and collections operations to reduce cost balanced with customer service
  - Loan financing management, in the short term, redeem outstanding bonds, reducing interest and administrative expenses
  - Revise Investment Policy with informed analysis to achieve return goals based on appropriate investment time horizon and risk tolerance

        - Establish investment management relationship with Department of Revenue; achieve investment goals and improve education to management and the Board in fulfilling its fiduciary responsibility
    - Enhance cash flow management tools and processes to increase invested balances and income from investments
    - Revise allowance for loan loss methodology tied to risk drivers such as total loan and non-performing loan balances to reduce high and uncorrelated volatility in annual provision for loan loss
    - Develop strategies to decrease loan loss and increase recoveries
        - Consult with default management contractor
        - Establish staff position whose responsibilities focus on default management
        - Establish internal default management team to focus on default management
            - Develop team scope document
            - Review credit risk associated with each phase of lending; originations, servicing and post default management
            - Develop and execute focused tactics such as outreach to newly non-performing loans
    - Enhance financial management oversight process; develop long-term asset, liability, income and cash flow forecasts to support management and the Boards strategic goal to operate a financially sustainable loan program
    - Incorporate financial sustainability as an objective in ACPE's strategic plan and develop KPI's to monitor

- **Projects in Progress**
    - Continued default management
    - Continue cost reduction
    - Loan financing long term, identify future loan financing options and timing as part of ongoing asset liability management

The financial impact of several of these initiatives are reflected in the last couple years financial statements through reduced operating expenses, reduced interest expense, reduced provision for loan loss, and increased investment income. Although we are all aware of the risk of loss on investments, we continue to manage and forecast a financially sustainable organization going forward and over time.

If you have any questions or wish to discuss this information further, please do not hesitate to contact me at 907-465-6757 or julie.pierce@alaska.gov.

THE STATE of ALASKA
GOVERNOR MIKE DUNLEAVY

Alaska Student Loan Corporation

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To: Alaska Student Loan Corporation Members

Thru: Kerry Thomas, Acting Executive Officer

From: Julie Pierce, Chief Finance Officer

Date: November 7, 2024

Re: Annual Financial Reports

The Alaska Student Loan Corporation's (Corporation) annual financial reports for the year ended June 30, 2024 have been finalized.

Reports included herein:

Management's Discussion and Analysis and Financial Statements (Financial Statements);
Expenditures of Federal Awards Reports; and,
Letter to the Board.

Management's Discussion and Analysis and Financial Statements

The Statements of Revenues, Expenses and Changes in Net Position are on page 10 of the Financial Statements. These statements reflect the Corporation's income of $9.5 million and of $9.8 million for the years ended June 30, 2024 and 2023, respectively.

Following is a brief summary of the significant items that contributed to net income for fiscal year 2024.

Net income, or change in net position, is the difference between net operating income and expense for the year.

Operating income consists primarily of interest income on education loans, loan-related provision for loan related losses and earnings on investments. Total net operating income was $17.3 million for fiscal year 2024, a $1.3 million decrease from net operating income of $18.6 million for fiscal year 2023.

Interest income on loans declined approximately $0.1 million to $8.5 million from $8.6 million, primarily due to a decrease in loans receivable.

The provision for loan related loss is an adjustment to income for the annual change in estimated allowances for uncollectible loans and related accrued interest net of charged off balances. The annual provision increased by $4.8 million to $1.3 million compared with income of $3.5 million in fiscal year 2023. This increase was primarily due to the provision for loss on accrued interest receivable on loans.

Investment income increased $3.6 million to $10.2 million in fiscal year 2024, compared with income of $6.6 million in fiscal year 2023. The increase is due to an increase in invested balances and a higher rate of return on investments.

Operating expense for administrative costs, decreased approximately $1.0 million in fiscal year 2024 compared to fiscal year 2023 primarily due to a decrease in contractual service costs.

The Alaska Commission on Postsecondary Education (ACPE) originates loans for the Corporation and services the Corporation's loan portfolio so the majority of administrative costs reported on the Corporation's financial statements represent reimbursements to ACPE. Contractual costs decreased year over year due a decrease in outsourcing project management service costs, loan servicing system and statement generation costs, office relocation construction contractor costs and other costs.

The Statements of Net Position reflecting asset, liability and net position balances are on page 9 of the Financial Statements.

Current assets are those available and reasonably expected to be used to pay current liabilities or cover the cost of operations in the next fiscal year. The increase in total assets is due to the increase in investments offset with a decrease in loans receivable due to the write off of non-performing loan balances and loan principal repayments exceeding loan originations.

Current liabilities are those expected to be satisfied in the next fiscal year.

Unrestricted net position increased in fiscal year 2024 and is attributable to net operating income.

Expenditures of Federal Awards Reports

The second report enclosed is required by the Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards (Uniform Guidance). The federal award subject to the Uniform Guidance is the federal guarantee of the Corporation's Federal Family Education Loan (FFELP) portfolio. Page 6 of the report outlines information relative to the Corporation's federally guaranteed loan portfolio.

Beginning loan balance represents the Corporation's federally guaranteed loan portfolio balance at the beginning of the fiscal year.

Special allowance is received from and excess interest is paid to the federal government depending on the relationship between a prescribed market index and the yield on federal loans as well as when the loans were disbursed. Loans disbursed before April 1, 2006, are not subject to excess interest payments.

Federal interest benefits represent subsidized interest the federal government paid the Corporation for borrowers of federally subsidized loans.

The net paid to or received from the federal government is recorded as an adjustment to interest income on loans on the Corporation's Statements of Revenue, Expense, and Changes in Net Position.

The bottom of page 8 reflects the amount of claim payments received ($1.3 million) on non-performing federal loans in fiscal year 2024 as well as the amount of the Corporation's federal loans ($14.9 million) guaranteed by the federal government.

Letter to the Board

This letter is a required communication between the external auditor and the board. It is designed to communicate information about the auditor's responsibilities under generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance, as well as information related to the scope and timing of the audit.

If you have any questions or wish to discuss any of these reports, please do not hesitate to give me a call at 907-465-6757 or send me an email at julie.pierce@alaska.gov.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis and
Financial Statements

Years Ended June 30, 2024 and 2023

Together with Independent Auditor's Report

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Years Ended June 30, 2024 and 2023

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ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2024 and 2023

This discussion and analysis of the Alaska Student Loan Corporation's (Corporation) history, financial position at, and financial performance for, the fiscal years ended June 30, 2024 and 2023 is being presented to assist readers in understanding the Corporation's structure, activities and significant financial issues.

This information is required supplementary information and should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes, all of which follow.

History

The State of Alaska (State) established its first loan program for undergraduate students studying at an accredited institution in 1968. The program was funded directly by the State and administered by the State's then-named Department of Education. This activity was considered a primary government function and financial reporting was included in the governmental fund section of the State's annual comprehensive financial report.

The Alaska Commission on Postsecondary Education (Commission) was created in 1974 to be the coordinating agency for postsecondary education, to administer student financial aid programs, to coordinate and plan for postsecondary education in the State, as well as to authorize and regulate postsecondary education institutions in Alaska. The education loan programs administered by the Commission were funded by the State. The Commission resides within the Department of Education and Early Development for budgetary purposes but is not subject to the direction of the Commissioner of Education and Early Development or the State Board of Education. The Commission's activity is considered a primary government function and financial activity is included in the governmental fund section of the State's annual comprehensive financial report.

The Corporation was created in 1987 as a public corporation and governmental instrumentality within the Department of Education and Early Development with a legal existence independent of and separate from the State. Therefore, the Corporation is not a part of the State's primary government. The financial activity related to the Corporation is reported as a discretely presented component unit in the State's annual comprehensive financial report.

The Corporation was created to raise alternative financing for education loans through the issuance of debt. The Corporation's goal is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. By statute the Corporation has one employee, the Executive Officer. The employees of the Commission serve as staff for the Corporation. In 1987, the Corporation entered into an agreement with the Commission for administrative services related to its loan programs. In April of 1988, the assets and liabilities of the State's existing education loan programs were transferred to the Corporation effective December 1987.

The Corporation cannot be terminated as long as it has debt outstanding. Upon termination, the Corporation's rights and property pass to the State.

Under contract with the Corporation, the Commission awards and originates the Corporation's education loans and services the Corporation's education loan portfolio. Additional information is available at acpe.alaska.gov. The Corporation funds the Commission's expenditures that relate to loan program administration.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2024 and 2023

The loan program includes various Federal Family Education Loan Program (FFELP) loans (Federal loans) governed by the Higher Education Act (HEA) and State Education loans (State loans) governed by State statutes. Loans are both fixed and variable rate loans.

The loan program was structured to provide eligible borrowers with low-cost financial aid options. Students are encouraged to maximize their grant and lowest cost loan options prior to tapping into alternative sources.

Program Highlights

- Federal loans are no longer being originated. The Corporation continues to hold and administer its FFELP portfolio. Loans in that portfolio are guaranteed by Ascendium Education Solutions, Inc.

- The Corporation continues to originate State loans, as well as administer its State loan portfolio. State loans are not supported by collateral nor are they guaranteed.

- Federal loans are no longer being originated. At June 30, 2024, the Corporation's gross loan portfolio was 86% State loans and 14% Federal loans.

- State loans were made to borrowers meeting FICO score requirements of at least 650, implemented on all Alaska Supplemental Education Loans first disbursed on or after July 1, 2009. Refinance borrowers must also meet minimum FICO score requirements.

- All State Consolidation Loans were made subject to credit criteria which included good repayment histories on the underlying loans for the eighteen months preceding consolidation or a FICO score of at least 680.

- Credit-ready loans disbursed on or after July 1, 1998 and before July 1, 2009 were made to borrowers with no adverse credit history.

Financial Highlights

- Financing education loans

  The Corporation last issued bonds, for the purpose of financing new education loans, in June 2007. From July 2007 through 2011, the Corporation used non-pledged loan payments and proceeds from a State loan to finance education loans. Since 2011, loan originations have been funded with non-pledged loan receipts.

- Loan Volume

  Annual loan originations increased 30% and decreased 5% in fiscal years 2024 and 2023, respectively. Absent significant increases in operating costs or material changes in the loan program, the Corporation anticipates continuing to meet loan demand with non-pledged loan payments, invested balances and investment income for the next several years. When non-pledged loan payments are no longer sufficient, the Corporation anticipates issuing debt to meet loan demand.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2024 and 2023

Overview of the Financial Statements

The Corporation's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method of accounting, the same method used by private sector businesses, revenues are recognized when earned and expenses when incurred. The basic financial statements of the Corporation are as follows:

Statement of Net Position – This statement presents information regarding the Corporation's assets, liabilities and net position at a point in time. Net position represents the total amount of assets less the total amount of liabilities. This statement reflects the Corporation's financial health at the end of the year. Over time, changes in net position serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

Assets and liabilities are classified as current or noncurrent on the Statements of Net Position. Current assets are those available and reasonably expected to be used to pay current liabilities or cover the cost of operations in the next fiscal year. Current liabilities are those expected to be due in the next fiscal year. Assets and net position are further classified as either restricted or unrestricted. The restricted classification is used when constraints are imposed by external sources or enabling legislation. Restricted assets are classified as noncurrent unless the restriction is short-lived (less than a year).

Statement of Revenues, Expenses, and Changes in Net Position – This statement measures the activities of the Corporation's operations over the past year and presents the change in net position for the year. This statement can be used to determine whether the Corporation has successfully recovered its costs through education loan and investment income.

Statement of Cash Flows – This statement provides information about the sources and uses of the Corporation's cash and the change in the cash balance during the fiscal year.

Notes to Financial Statements – This section provides information that is essential to a full understanding of the basic financial statements described above.

Financial Analysis

- The Corporation's total assets at June 30, 2024, and 2023, were $223, and $214 million, respectively. The change in assets from fiscal year 2023 to 2024 was an increase of $9 million or 4 %.

- The Corporation's net education loans receivable were $86, and $93 million, at June 30, 2024, and 2023, respectively. These balances represent a decrease in fiscal year 2024 of $7 million or 8 %.

- The assets of the Corporation exceed its liabilities (reported as net position) at the close of fiscal year 2024, and 2023 by $222, and $212 million, respectively. These balances represent an increase in fiscal year 2024 of $10 million or 5 %.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2024 and 2023

- The Corporation's net operating income was $17 million, compared with net operating income of $19 million, for fiscal year ended June 30, 2024, and 2023, respectively. These balances represent a decrease in net operating income in fiscal year 2024 of $2 million.

- The Corporation's operating administration expense was $8 million and $9 million during both fiscal years 2024, and 2023, respectively. These balances represent a decrease of $1 million in fiscal year 2024.

The following condensed financial information reflects changes during the fiscal year:

Statement of Net Position (in thousands)

		2024	2023	$ Change	% Change
Assets:					
Current	$	24,457	25,278	(821)	(3)
Noncurrent		198,241	188,336	9,905	5
Total assets	$	222,698	213,614	9,084	4
Liabilities:					
Current	$	968	1,383	(415)	(30)
Total liabilities		968	1,383	(415)	(30)
Net position:					
Unrestricted		221,730	212,231	9,499	4
Total net position		221,730	212,231	9,499	4
Total liabilities and net position	$	222,698	213,614	9,084	4

The fiscal year 2024 decrease in current assets was due to a decrease in current receivable on loans and current interest receivable on loans. Loan balances classified as current are those expected to be paid in the next twelve months. Net interest receivable on loans overall is declining due to the decline in the loan portfolio for the last several years. Investment balances classified as current are those expected to be consumed in the next twelve months. There were no investment balances classified as current as of June 30, 2024 or 2023.

The fiscal year 2024 increase in noncurrent assets was due to the increase in noncurrent investments offset with a decrease in noncurrent loans receivable. The decrease in noncurrent loans receivable is the result of loan payments continuing to exceed loan originations. Noncurrent investments increased due to collections on loans exceeding investments utilized for loan originations and administrative costs.

Current liabilities decreased in fiscal year 2024 due to a decrease in amounts due to the State of Alaska. Unrestricted net position increased in fiscal year 2024 because net operating income exceeded other operating expenses.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS
Years Ended June 30, 2024 and 2023

Statements of Revenue, Expenses and Changes in Net Position (in thousands)

		2024	2023	$ Change	% Change
Net operating income (loss)	$	17,310	18,610	(1,300)	(7)
Operating expense		(7,811)	(8,848)	1,037	(12)
Change in net position		9,499	9,762	(263)	(3)
Net position - beginning		212,231	202,469	9,762	5
Net position - ending	$	221,730	212,231	9,499	4

Net operating income represents interest on education loans, loan-related provisions, earnings on investments and other revenue. Interest on education loans continues to decline due to the decline in the loan portfolio. The gross loan portfolio decreased 19% in fiscal year 2024. Yield on loans was 7%, and 6% for fiscal years 2024 and 2023, respectively. The provisions change as performance and balance of the loan and interest receivable portfolio changes. The investment portfolio balance increased in fiscal year 2024. Yield on investments was 8%, and 6% in fiscal years 2024 and 2023, respectively.

Operating expense represents administrative expenses and other income and expense. In fiscal year 2024, administrative expense decreased due primarily to a decrease in contractual service expenses.

Rate Discounts

Borrower benefits are intended to lower borrowers' interest costs. Rate discounts awarded in fiscal years 2024, and 2023 resulted in forgone interest on loans of approximately $50, and $63, respectively. The impact of these discounts is recorded as a reduction to interest on loans. Information related to borrower benefits can be found at acpe.alaska.gov/myrate.

Contacting the Corporation

This financial report is designed to provide borrowers, investors, creditors and other readers with a general overview of the Corporation's finances. If you have questions about this report or need additional financial information, contact the Corporation at (907) 465-6740.

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Alaska Student Loan Corporation
Juneau, Alaska

Report on the Financial Statements

Opinion

We have audited the financial statements of the Alaska Student Loan Corporation (the Corporation), a component unit of the State of Alaska, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of June 30, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2024 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Elgee Rehfeld

September 27, 2024

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Statements of Net Position

June 30, 2024 and 2023

(in thousands)

	2024	2023
Assets:		
Current assets:		
Cash (note 3)	$ 604	606
Other	-	11
Interest receivable on investments	42	27
Interest receivable on loans	1,800	2,054
Loans receivable (note 4)	22,011	22,580
Total current assets	24,457	25,278
Noncurrent assets:		
Interest receivable on loans, net (note 5)	1,855	2,007
Loans receivable, net (notes 4 and 5)	63,988	70,239
Investments (note 3)	132,398	116,090
Total noncurrent assets	198,241	188,336
Total assets	$ 222,698	213,614
Liabilities and Net Position:		
Liabilities:		
Current liabilities:		
Payable from unrestricted assets:		
Due to State of Alaska	$ 1,034	1,413
Due to (from) U.S. Dept. of Education (note 6)	(71)	(84)
Accounts payable	5	54
Total liabilities	968	1,383
Net position:		
Unrestricted (note 2)	221,730	212,231
Total net position	221,730	212,231
Total liabilities and net position	$ 222,698	213,614

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2024 and 2023

(in thousands)

	2024	2023
Operating income		
Interest on loans, net (note 2)	$ 8,461	8,553
Provision (note 5)	(1,334)	3,482
Investment income, net (note 2)	10,183	6,575
Total net operating income	17,310	18,610
Operating expense:		
Administration and other	7,811	8,848
Total operating expense	7,811	8,848
Change in net position	9,499	9,762
Total net position - beginning	212,231	202,469
Total net position - ending	$ 221,730	212,231

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Statements of Cash Flows

Years Ended June 30, 2024 and 2023

(in thousands)

		2024	2023
Cash flows from operating activities:			
Principal payments received on loans	$	17,719	21,637
Interest received on loans		5,614	6,155
Other receipts (payments)		(39)	47
Loans originated		(8,956)	(6,852)
Administration		(8,200)	(8,054)
Net cash provided by operating activities		6,138	12,933
Cash flows from investing activities:			
Income on investments		3,521	6,111
Investments matured or sold		23,113	52,475
Investments purchased		(32,774)	(71,557)
Net cash provided by (used for) investing activities		(6,140)	(12,971)
Net decrease in cash		(2)	(38)
Cash at beginning of period		606	644
Cash at end of period	$	604	606

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Statements of Cash Flows

Years Ended June 30, 2024 and 2023

(in thousands)

	2024	2023
Reconciliation of change in net position to cash flows from operating activities:		
Change in net position	$ 9,499	9,762
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Provision	1,334	(3,482)
Income received on investments	(3,521)	(6,111)
Unrealized gain on investments	(6,647)	(441)
Change in assets and liabilities:		
Decrease in other assets	11	102
(Increase) in interest receivable on investments	(15)	(23)
(Increase) in interest receivable on loans	(1,280)	(245)
Decrease in loans receivable	7,172	12,789
Increase (decrease) in due to U.S. Dept. of Education	13	(259)
Increase (decrease) in net due to State of Alaska	(379)	808
Increase (decrease) in accounts payable	(49)	33
Total adjustments	(3,361)	3,171
Net cash provided by operating activities	$ 6,138	12,933

See accompanying Notes to Financial Statements.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Financial Statements

Years Ended June 30, 2024 and 2023

(1) Authorizing Legislation and Organization

The Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska (State), was created in 1987 by an act of the State Legislature (Legislature). The purpose of the Corporation is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. The Corporation is authorized, with certain limitations, to issue debt necessary to carry out its purpose. The Corporation is governed by a Board of Directors (Board) appointed by the State Governor.

The Corporation contracts with the Alaska Commission on Postsecondary Education (Commission) to service its loan portfolio and to provide staff for the Corporation. The Commission, a part of the State's general government, is responsible for staff costs; therefore, the Corporation has no pension disclosure.

(2) Summary of Significant Accounting Policies

(a) Fund Accounting

The financial activities of the Corporation are recorded in various funds as necessitated by sound fiscal management. The funds are combined for financial statement purposes and there are no significant interfund transactions. The Corporation is considered an enterprise type proprietary fund for financial reporting purposes with revenues recognized when earned and expenses when incurred.

(b) Fiscal Year

The Corporation's fiscal year begins July 1 and ends June 30, consistent with the State's fiscal year.

(c) Operating Revenue and Expense

The Corporation was created with the authority to issue debt in order to finance education loans to qualified borrowers. Operating revenue is derived from interest on education loans and earnings on investments. Operating revenue is offset by the loan and interest related provisions. The cost of financing and servicing education loans is considered operating activity.

(d) Management Estimates

To prepare financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts. Actual amounts could differ from estimates. The significant accounting and reporting estimates applied in the preparation of the accompanying financial statements are discussed below.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)

(e) Loans

Loans represent education loans which include Supplemental Education, Alternative Consolidation, Refinanced (REFI), Teacher Education (TEL), Family Education (FEL), (collectively referred to as State loans), federally guaranteed Stafford (subsidized and unsubsidized), PLUS, and Consolidation (subsidized and unsubsidized) loans (collectively referred to as Federal loans). Loan terms vary depending on year of origination and type.

(f) Interest on Loans

Interest on loans is accrued when earned at fixed and variable rates ranging from 2.63% to 9.25%.

Non-interest bearing loans were approximately $46 and $63 at June 30, 2024 and 2023, respectively.

The impact of borrower benefits awarded to eligible borrowers is recorded as a reduction in interest on loans.

The change in the yield restriction payable, if any, is recorded as an adjustment to interest on loans.

(g) Allowances and Provision

The allowances represent management's estimate, based on experience, of loans and related accrued interest that will ultimately be uncollectible or forgiven. The Corporation writes off State loans upon death, total disability, bankruptcy discharge, or when payment activity is no longer anticipated. The Corporation writes off the portion of Federal loan balances not guaranteed and deemed uncollectible. Accrued unpaid interest is written off when the related loan is written off. A borrower of a TEL can obtain up to 100% forgiveness of loan principal and interest if the borrower teaches in rural Alaska for periods specified by the program.

The provision is an income statement expense for the annual change in the allowances, net of annual write off, for uncollectible loans and related accrued interest.

(h) Income Taxes

The Corporation, as a governmental instrumentality, is exempt from Federal and State income taxes.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Financial Statements

(2) Summary of Significant Accounting Policies (cont.)

(i) Investments and Investment Income

The Corporation invests in the State's internally managed General Fund and Other Non-segregated Investments Pool (GeFONSI). GeFONSI consists of investments in the State's internally managed Short-term, Short-term Liquidity and Intermediate-term Fixed Income Pools. Additional information with regard to the GeFONSI can be found in Treasury's *Invested Assets Under the Investment Authority of the Commissioner of Revenue's Independent Auditors' Report* (GeFONSI Report) at treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx.

The Corporation also invests in money market funds. Money market funds maintain a share price of $1 and are reported at amortized cost. The Corporation's shares in money market funds fluctuate daily with contributions and withdrawals. Investments in specific securities are reported at fair value.

(j) Due to State of Alaska

Amounts due to the State of Alaska represent the net difference between amounts held by the Corporation on behalf of the State, amounts paid by the Corporation on behalf of the Commission and amounts paid by the Commission on behalf of the Corporation.

(k) Unrestricted Net Position

Unrestricted net position represents net assets not pledged as collateral to secure payment of debt.

(l) Recent Accounting Pronouncements

The Governmental Accounting Standards Board has issued several new accounting standards required to be implemented in coming financial reporting periods. Management has not fully evaluated the potential effects of these statements:

GASB 101 – Compensated Absences – Effective for fiscal year 2025, the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. GASB 101 also establishes guidance for measuring a liability for leave that has not been used.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Financial Statements

GASB 102 – Certain Risk Disclosures – Effective for fiscal year 2025, the objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

GASB 103 – Financial Reporting Model Improvements – Effective for fiscal year 2026, the objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement introduces various new requirements and addresses certain application issues over Management's Discussion and Analysis, Unusual or Infrequent Items, the Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position, Major Component Unit Information, and Budgetary Comparison Information presented in the financial statements.

(m) Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 presentation.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Financial Statements

(3) Cash and Investments

(a) Cash

(1) Cash summarized by classification at June 30 follows:

		2024	2023
Current, unrestricted	$	604	606

(2) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, deposits may not be returned. The Corporation has not established a custodial credit risk policy for its deposits.

At June 30, 2024, the Corporation had no cash exposed to custodial credit risk.

(b) Investments

(1) The fair value at June 30, of the Corporation's investments, by classification, follows:

		2024	2023
Noncurrent, unrestricted	$	132,398	116,090
Total	$	132,398	116,090

(2) Investment Policies

The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested.

Unrestricted funds may be invested in the various investment pools managed by the State of Alaska's Department of Revenue, Treasury Division. Investments in Treasury's fixed-investment pools are made in accordance with the State's General Investment Policy. These investments represent an ownership share of the pool's securities rather than ownership of specific securities. A complete description of the State's investment policy is at treasury.dor.alaska.gov/investments.

Unrestricted funds not managed by Treasury are managed by an external investment manager in compliance with the Corporation's investment policy which allows investments in:

- Fixed income money or mutual funds if rated, rated "AAA", and if not rated, underlying holdings must be rated "AAA".

The highest rating of a nationally recognized rating agency is the rating used to determine compliance with this policy.

A complete description of the ASLC investment policy & procedure is at https://acpe.alaska.gov/Investor_Relations

(3) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation's ownership share of the GeFONSI was 0.04% and 0.10% at June 30, 2024 and 2023, respectively.

Credit risk information relative to investments in the GeFONSI and other pooled investments can be found in the State's Investment Report.

(4) Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of investments in a single investment provider. At June 30, 2024, the Corporation had no investment balances greater than five percent of the Corporation's total investments with a single investment provider.

Concentration risk information relative to investments in the GeFONSI and other pooled investments can be found in the State's Investment Report.

(5) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation mitigates interest rate risk by structuring maturities to meet cash requirements.

Interest rate risk information relative to the Corporation's investment in the GeFONSI and other pooled investments can be found in the State's Investment Report.

(6) Fair Value Measurements

Fair value measurements relative to investments in the GeFONSI and other pooled investments can be found in the State's Investment Report.

(*c*) *Other*

Unrestricted cash and unrestricted investments specifically designated for financing education loans include $1,919 and $2,291 at June 30, 2024 and 2023, respectively.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Financial Statements

(4) Loans Receivable

(a) The loan portfolio summarized by classification at June 30 follows:

		2024	2023
State loans:			
Current, unrestricted	$	11,447	15,358
Noncurrent:			
Unrestricted		79,809	96,483
Total, gross State loans		91,256	111,841
Federal loans:			
Current, unrestricted		10,564	7,222
Noncurrent:			
Unrestricted		4,326	12,516
Total, gross Federal loans		14,890	19,738
Total, gross loans		106,146	131,579
Allowance for doubtful loans		20,034	38,580
Allowance for principal forgiveness		113	180
Total allowance		20,147	38,760
Total, net loans	$	85,999	92,819
Current, unrestricted	$	22,011	22,580
Noncurrent:			
Unrestricted		63,988	70,239
Total, net loans	$	85,999	92,819

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

(4) Loans receivable (cont.)

(b) The loan portfolio summarized by program at June 30 follows:

		2024	2023
State Education Loans			
Supplemental	$	65,535	84,889
Consolidation		3,923	5,951
Refinanced		19,037	17,840
Teacher Education		1,241	1,579
Family Education		1,520	1,582
Total State Loans		91,256	111,841
Federal Family Education Loans			
Stafford		11,822	15,722
Consolidation		2,730	3,493
PLUS		338	523
Total Federal Loans		14,890	19,738
Total, gross loans	$	106,146	131,579

(c) The loan portfolio summarized by status at June 30 follows:

		2024		2023	
		State	Federal	State	Federal
Enrollment	$	8,503	34	7,851	43
Grace		2,434	-	3,306	17
Repayment		74,771	12,532	94,349	16,313
Deferment		4,902	1,032	5,361	1,436
Forbearance		646	1,292	974	1,929
Total	$	91,256	14,890	111,841	19,738

(d) Loans awarded not disbursed at June 30 follows:

		2024	2023
State Education Loans			
Supplemental	$	1,814	1,420
Refinanced		16	845
Family Education		89	26
Total State Loans	$	1,919	2,291

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

(5) Allowances and Provision

A summary of activity in the allowances at June 30 follows:

		2024	2023
Balance, beginning of period	$	54,141	65,703
Provision		1,334	(3,482)
Balances charged off		(29,310)	(8,080)
Balance, end of period	$	26,165	54,141

		2024	2023
Allowance for:			
Doubtful loans	$	20,034	38,580
Principal forgiveness		113	180
Doubtful interest		6,013	15,363
Interest forgiveness		5	18
Total	$	26,165	54,141

(6) Federal Family Education Loan Program

Ascendium Education Solutions, Inc. is the guarantor for the Corporation's FFELP portfolio.

As a holder of Federal loans, the Corporation receives claim, special allowance and interest subsidy payments and pays excess interest and rebate fees on federally guaranteed loans as specified in the Higher Education Act (HEA).

Claim payments are received from the guarantor when a borrower dies, becomes totally and permanently disabled, or defaults on a Federal loan. The Corporation is eligible for these payments provided compliance with servicing requirements outlined in the HEA. Failure to fulfill the requirements may result in an interest penalty or loss of guarantee. In the case of a default claim, unpaid principal and interest are guaranteed at 98% if the loan was first originated prior to July 1, 2006, and 97% if the loan was first originated after June 30, 2006. Claims as a result of a borrower's death or becoming totally and permanently disabled are guaranteed at 100%.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Financial Statements

(6) Federal Family Education Loan Program (cont.)

Special allowance payment rates are calculated quarterly, by the Department, based on the quarter's daily average one-month LIBOR, plus a predetermined factor that varies according to loan type, disbursement date, loan status, and not-for-profit eligibility of the lender less the loan's applicable interest rate. When the calculated rate is positive, special allowance payments are received from the Department; when the calculated rate is negative, the Corporation pays excess interest to the Department on loans first disbursed after April 1, 2006.

Interest subsidies are received quarterly from the Department on behalf of qualified subsidized Stafford or subsidized Consolidation loan borrowers during enrollment, grace, deferment and eligible income-based repayment periods.

A rebate fee, equal to 0.09% of the unpaid principal and interest on consolidation loans, is paid monthly to the Department.

(7) Commitments and Contingencies

(a) Operations

As of June 30, 2024, the Corporation is committed to fund approximately $9,800 and $36 of the Commission's fiscal year 2025 and 2024 operating budgets, respectively, for loan servicing and staff support. The Corporation's and the Commission's budgets are subject to review and approval from both the executive and legislative branches of the State. The Commission's costs funded by the Corporation are based on expenditures incurred by the Commission.

(b) Return of Capital

State statutes indicate that the Board may elect to pay the State a return of contributed capital or dividend based on net income. If the Board elects to pay a dividend, the amount may not be less than 10%, or greater than 35%, of the Corporation's net income when it equals or exceeds $2,000 for the Base Fiscal Year. The Base Fiscal Year is defined as the fiscal year ending two years before the end of the fiscal year in which the payment is made.

Net income (change in net position) in fiscal year 2022 did not exceed $2,000; therefore, no capital was returned to the State in fiscal year 2024. Net income (change in net position) in fiscal year 2023 did exceed $2,000; however, the Board approved a motion in fiscal year 2024, that no dividend will be declared for fiscal year 2025.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Financial Statements

(7) Commitments and Contingencies (cont.)

(c) State Permanent Fund Dividend Garnishment

The Alaska Permanent Fund (Permanent Fund), established in the State Constitution in 1976, is held and managed by the State. The State deposits a percentage of oil and gas royalties into the Permanent Fund. By statute, the State pays a portion of the earnings of the Permanent Fund annually to individuals who apply and meet certain residency requirements, provided that sufficient funds are available for payment. Permanent Fund Dividend (PFD) payments could be eliminated or reduced by an amendment to State statutes. The Commission may garnish a borrower's PFD payment, if any, to satisfy the balance of a defaulted loan pursuant to State statutes. The Commission has garnishment priority over all other executors except State child support enforcement and any court ordered restitution. There is no assurance that any particular borrower will apply or qualify for a PFD payment.

PFD garnishments were approximately $762 and $2,536 for the years ended June 30, 2024 and 2023, respectively.

(d) Legislation

The Corporation's State education loan programs have been the subject of legislative action by the State legislature. The laws governing the programs have been amended from time to time and will continue to be the subject of legislative proposals calling for further amendment. The effect, if any, on the Corporation's State programs cannot be determined.

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Expenditures of Federal Awards Reports

Year Ended June 30, 2024

Elgee Rehfeld
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Alaska Student Loan Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the net position, statement of revenues, expenses and changes in net position and cash flows of Alaska Student Loan Corporation (the Corporation), a component unit of the State of Alaska, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated September 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Elgee Rehfeld

September 27, 2024

Elgee Rehfeld
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Alaska Student Loan Corporation

Report on Compliance for Each Major Federal Program

Opinion on the Major Federal Program

We have audited Alaska Student Loan Corporation (the Corporation)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement*, excluding Federal Family Education Loans – Lender, Assistance Listing Number 84-032L: Special Tests and Provisions requirements, as described below, that could have a direct and material effect on the Corporation's major federal program for the year ended June 30, 2024. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

As permitted by U.S. Office of Management and Budget's 2024 Compliance Supplement for the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L program, Other Information – Use of Third Party Servicers section, we did not audit the Corporation's compliance with the following compliance requirements applicable to the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L: Special Tests and Provisions. Third party servicer Pennsylvania Higher Education Assistance Agency (PHEAA) performed these compliance requirements for the Corporation and has obtained an attestation examination performed under the Lender Servicer Financial Statement Audit and Compliance Attestation Guide (September 2020), issued by the U.S. Department of Education. PHEAA's attestation examination covered the period of July 1, 2022 through June 30, 2023, and they have entered into agreement for an attestation examination for the period of July 1, 2023 through June 30, 2024 to be performed under the Lender Servicer Financial Statement Audit and Compliance Attestation Guide (September 2020). Our report does not include the results of the other accountant's examination of the third-party servicer's compliance with such requirements.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above and audited by us, that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of*

Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Corporation's major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Corporation's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit, excluding the Federal Family Education Loans – Lender, Assistance Listing Number 84-032L: Special Tests and Provisions requirements, as allowed in the Assistance Listing Number 84-032L program, Other Information – Use of Third Party Servicers section. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the

circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Corporation, a component unit of the State of Alaska, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements. We issued our report thereon, dated September 27, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Elgee Rehfeld

September 27, 2024

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

Federal Grantor/Program Title	Federal Assistance Listing Number (ALN)	Federal Expenditures
U.S. Department of Education Direct Programs:		
Federal Family Education Loan Program		
Beginning loan balance (guaranteed)	84.032L	$ 19,734,872
Special allowance	84.032L	266,636
Less: excess interest	84.032L	(4,266)
Federal interest benefits	84.032L	40,267
		$ 20,037,509

See accompanying Notes to Schedule of Expenditures of Federal Awards.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2024

General
The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Alaska Student Loan Corporation (the Corporation).

Federal awards to the Corporation, received directly from federal agencies, as well as federal awards passed through other governmental agencies, if any, are included in the schedule. The Corporation did not pass through any federal awards to other entities. Federal awards for special allowances and interest benefits are presented in interest on loans in the Corporation's Statements of Revenue, Expenses and Changes in Net Position.

Basis of Accounting
The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The 10-percent de minimis indirect cost rate allowed under the Uniform Guidance is not applicable to the federal award programs of the Corporation.

Loan Programs
The Corporation participates in the federally guaranteed Stafford (subsidized and unsubsidized), PLUS and Consolidation (subsidized and unsubsidized) loan programs. The following table provides loan guarantees outstanding at June 30, 2024, as well as claim payments received during the fiscal year ended June 30, 2024.

Program Title	ALN	Guarantees Outstanding	Claim Payments
Federal Family Education Loan Program (FFELP)	84.032L	$ 14,887,351	$ 1,255,417

Reconciliation to the Financial Statements

Federal Loan Balance per Financial Statements	$ 14,890,004
Less – Loss of guarantee	(2,653)
Guarantees Outstanding	$ 14,887,351

Subrecipients
The Corporation does not award any federal funds as sub-awards to other organizations.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	___ Yes _x_ No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ Yes _x_ None reported
Noncompliance material to financial statements noted?	___ Yes _x_ No

Federal Awards

Internal control over major federal program:	
• Material weakness(es) identified?	___ Yes _x_ No
• Significant deficiency(ies) identified?	___ Yes _x_ None reported
Type of auditor's report issued on compliance for the major federal program:	Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes _x_ No

Identification of major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
84.032L	Federal Family Education Loan Program (FFELP) – Lenders

The dollar threshold used to distinguish between Type A and Type B programs is $750,000.

Auditee qualified as a low-risk auditee?	___ Yes _x_ No

* For compliance requirements audited by us.

FINDINGS – FINANCIAL STATEMENT AUDIT

No matters reported.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

No matters reported.

ALASKA STUDENT LOAN CORPORATION
(A Component Unit of the State of Alaska)

Summary Schedule of Prior Year Findings

Year Ended June 30, 2024

FINDINGS – FINANCIAL STATEMENT AUDIT

No findings reported for the year ended June 30, 2023.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

No findings or questioned costs reported for the year ended June 30, 2023.

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Letter to the Board

September 27, 2024

Elgee Rehfeld
Certified Public Accountants

elgeerehfeld.com
(907) 789-3178
9309 Glacier Highway, Suite B-200
Juneau, Alaska 99801

September 27, 2024

The Board of Directors
Alaska Student Loan Corporation
Juneau, Alaska

We have audited the financial statements of the Alaska Student Loan Corporation (the Corporation), a component unit of the State of Alaska, as of and for the year ended June 30, 2024, and have issued our report thereon dated September 27, 2024. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 2, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

Our audit standards require we communicate significant risks identified in the planning phase and that we design our audit to provide reasonable assurance that the financial statements are free of material misstatement whether caused by error or fraud. The significant risks identified are consistent with the risks we discussed with you during planning.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Corporation is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2024.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are management's estimates of the allowance for doubtful loans and related interest.

Management's estimate of the allowance for doubtful loans and related interest are based on historical experience and represent the estimate of loans that will ultimately be uncollectible or forgiven. Management also charges off the portion of the federal loan balances not guaranteed and deemed uncollectible. We evaluated the factors and assumptions used to develop the estimates of the allowance for doubtful loans and related interest and determined that it is reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Significant Unusual Transactions

We have not identified any significant unusual transactions as a result of our audit procedures.

Identified or Suspected Fraud

We have not identified or obtained information that indicates fraud may have occurred.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.

No such misstatements were identified.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Corporation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For the purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. No such circumstances have arisen.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Corporation's auditors.

This report is intended solely for the use of the State of Alaska, the Board of Directors and management of Alaska Student Loan Corporation, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Elgee Rehfeld

THE STATE of ALASKA
GOVERNOR MIKE DUNLEAVY

Alaska Commission on Postsecondary Education

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September 27, 2024

Elgee Rehfeld LLC.
9309 Glacier Highway, Suite B-200
Juneau, Alaska 99801

Dear Alaska Student Loan Corporation

This representation letter is provided in connection with your audit of the statements of net position, statement of revenues, expenses and changes in net position and cash flows, which collectively comprise the basic financial statements of the Alaska Student Loan Corporation (the Corporation), a component unit of the State of Alaska, as of June 30, 2024 and 2023, and for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, of the Corporation in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of September 27, 2024.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 2, 2024, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- The financial statements referred to above have been fairly presented in accordance with U.S. GAAP and include all properly classified funds, required supplementary information, and notes to the basic financial statements.

- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- There is no summary of unrecorded misstatements since all adjustments proposed by the auditor, material and immaterial, have been recorded.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.

- We have no capital assets, including infrastructure assets.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- With respect to nonattest services performed by you, we have performed the following:
  - Made all management decisions and performed all management functions;
  - Assigned a competent individual to oversee the services;
  - Evaluated the adequacy of the services performed;
  - Evaluated and accepted responsibility for the result of the service performed; and
  - Established and maintained internal controls, including monitoring ongoing activities.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our evaluation of the entity's ability to continue as a going concern, including significant conditions and events present, and we believe that our use of the going concern basis of accounting is appropriate.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.

- We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- We have a process to track audit findings and recommendations.
- We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The Corporation has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which the Corporation is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate, but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
- The Corporation has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral.

- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Single Audits

With respect to federal award programs:

- We are responsible for understanding and complying with, and have complied with, the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).
- We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
- We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.
- The methods of measurement or presentation have not changed from those used in the prior period.
- We believe significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedules and that indicates that the auditor has reported on such information.
- We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.
- We have notified you of federal awards and funding increments that were received before December 26, 2014 (if any) and differentiated those awards from awards and funding increments received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.
- When the schedule of expenditures of federal awards is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the respective auditor's report thereon.
- We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.

- We have provided to you our interpretations of any compliance requirements that are subject to varying interpretations.
- We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
- We have received no requests from a federal agency to audit one or more specific programs as a major program.
- We have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits or program reviews, or stated that there was no such noncompliance. We also know of no instances of noncompliance with direct and material compliance requirements occurring subsequent to period covered by the auditor's report.
- We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agencies or pass-through entity, as applicable.
- We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Uniform Guidance, as applicable.
- We have charged costs to federal awards in accordance with applicable cost principles.
- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- The reporting package does not contain personally identifiable information.
- We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes and an acknowledgment of the auditor's role in the preparation of this information.

- We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

In addition:

- We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program; and we have complied with these direct and material compliance requirements.
- We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on our federal programs. Also, no changes have been made in the internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significantly deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
- We are responsible for and have accurately completed the appropriate sections of the Data Collection Form.
- We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

Signed: Sana Efird
Name: Sana Efird
Title: Chief Executive Officer

Signed: Julie Pierce
Name: Julie M. Pierce, CPA
Title: Chief Financial Officer

THE STATE of ALASKA
GOVERNOR MIKE DUNLEAVY

Alaska Student Loan Corporation

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To: Alaska Student Loan Corporation Members

Thru: Kerry Thomas, Acting Executive Officer

From: Julie Pierce, Chief Finance Officer

Date: November 7, 2024

Re: FY26 Dividend to the State

Alaska Statute 14.42.295 states, "The board may elect to pay the state a return of contributed capital, or a dividend, for each base fiscal year that the corporation's net income equals or exceeds $2,000,000. The payment may not be less than 10% nor more than 35%…of the corporation's net income …"

From 1999 to 2007, management annually recommended and the Corporation declared returns of capital or dividends totaling $32.4 million. Net income in 2012, 2013 and from 2017 - 2022 was below the threshold ($2 million) set in statute relative to declaring a dividend to return capital. From 2008 to 2011, from 2014 to 2016, and again in 2023, the Corporation adopted management's recommendation that no additional dividend be paid to the State but rather conserve that income to support the Corporation's ability to fund its mission-critical programs.

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, should the Corporation declare a dividend, it may be no less than $949,900 and no more than $3,324,650.

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 is recommending that no dividend be declared for the 2026 fiscal year. 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.

Requested Motion: Move to accept management's recommendation that no ASLC dividend be declared for fiscal year 2026.

THE STATE of ALASKA
GOVERNOR MIKE DUNLEAVY

Alaska Student Loan Corporation

EXECUTIVE OFFICE

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MEMORANDUM

To:	Alaska Student Loan Corporation Members
Through:	Kerry Thomas, Director of Program Operations and Acting Executive Director
From:	Jackie Hall, Program Manager
Date:	October 24, 2024
Subject:	Recommendations for Loan Program Changes

As part of an overall focus on default management, ACPE has developed a risk management framework to assess, monitor, and mitigate the risk of potential loan defaults or the failure of borrowers to meet their credit obligations. This memorandum contains risk mitigation recommendations for the Alaska Commission on Postsecondary Education (ACPE) highest-risk loan programs, the Alaska Supplemental Education Loan (ASEL) and Education Loan Refinancing (REFI), beginning with the 2025/2026 program year.

Existing mitigation strategies include risk-based pricing, by which ACPE offers tiered interest rates to borrowers based on their creditworthiness and loan repayment terms. Risk-based pricing practices assess repayment capacity based on credit profile characteristics such as FICO score and adverse credit history. Risk-based pricing parameters vary by loan program. Additionally, ACPE mitigates risk through early intervention strategies, including tailored repayment plans, delinquency monitoring, and outreach activities to ensure borrowers meet their loan repayment obligations.

Recommendations for Program Year 2025/2026
ACPE staff recommends restructuring the ASEL and REFI loan programs in 2025 to increase consumer access to loans while managing credit risk.

Alaska Supplemental Education Loan Program

1. **Reduce the minimum FICO credit score from 650 to 640 for borrowers and cosigners.** Loan origination data shows that many applicants are declined due to insufficient FICO scores. A significant number of applicants had scores of 641 or 649, which are just below the current threshold. This recommendation aims to improve access to funding and increase loan volume. However, to mitigate the risk of lowering the minimum credit score, a borrower with a FICO score between 640 and 679 will be required to make monthly

payments of $50.00 per loan while enrolled in school. Alternatively, they can defer payments during the in-school period by having a creditworthy cosigner.

Repayment Type

- **Fully Deferred**: Mandatory cosigner for borrowers with FICO score of 640-679.
- **Immediate Repayment**: Cosigner not required for borrowers with FICO score of 640-679.

2. **Additional outreach to borrowers with immediate repayment loans.** ACPE will implement new outreach communications to all borrowers with immediate repayment loans to help mitigate the risk of delinquency and default. These early awareness communications will help borrowers understand their loan repayment obligations and provide guidance and resources to help develop an action plan to stay on track with repayment.

Communications & Timing

- **Loan Approval**: Upon loan consummation, ACPE will send a loan approval email outlining the terms and conditions of the loan, payment obligations, and loan FAQs.
- **30-Days Post Consummation**: ACPE will send a loan repayment email approximately 30 days post-consummation. This communication will prepare the borrower for repayment, provide details of their repayment obligation, and include information on automatic recurring payments and the associated benefits. This communication will provide instructions for setting up automatic payments through their online account with American Education Services.

Alaska Education Loan Refinancing Program

1. **Establish a new two-tier loan limit that includes a maximum borrowing limit.** The existing refinance loan has a minimum borrowing requirement of $7,500 but no limit on the total amount a borrower can refinance, subjecting ACPE to significant risk if the borrower defaults on their loan obligation. To mitigate this risk, loans over $125,000 will require a debt-to-income (DTI) ratio and qualifying FICO score. To reduce risk further, ACPE will set a maximum borrowing limit of $250,000, which aligns with loan limits established by other not-for-profit lenders.

   - **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 DTI ratio.

2. **Expand existing underwriting criteria to include a DTI ratio for loans over $125,000**. Existing underwriting criteria require the borrower or cosigner to have a FICO credit score of 680 or higher and not be delinquent in payment on any underlying loan. REFI loans greater than $125,000 will also require the borrower or cosigner to have a DTI ratio of 45% or less. This ratio aligns with the refinance industry average for DTI.

ACPE's loan originator has established custom attributes with TransUnion to help calculate the DTI percentage. The DTI ratio is determined by dividing the applicant's total monthly debt payments by their gross monthly income. This ratio typically includes all recurring monthly debts such as credit card payments, rent or mortgage payments, vehicle loans, and more. For joint trades such as mortgages and home equity lines of credit, the loan originator divides the total by half when adding them to the calculations.

DTI is calculated separately for borrowers and cosigners using the same guidelines to determine eligibility. Loan approval is based on the qualifying DTI of either the borrower or the cosigner. It is common practice to allow a borrower to have a DTI over 45% if a creditworthy cosigner meets the requirement.

Sample Motion

Move approval 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 for borrowers with a FICO between 640-679 without a cosigner. 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.