

October 11, 2001

MEMORANDUM

To: Mr. Dalton Floyd, Chair, and Members,
Commission on Higher Education

From: Ms. Susan Cole, Chair, and Members,
Committee on Access & Equity and Student Services

South Carolina National Guard Student Loan Repayment Program
Proposed Regulations - 2002-03 Academic Year

During the 2001 legislative session, the General Assembly approved H.3639. The Commission on Higher Education is charged with developing a loan repayment program for providing incentives for enlisting or remaining for a specified time in both the South Carolina Army and Air National Guards (SCNG) in areas of critical need. The Commission on Higher Education must define areas of critical need annually in consultation with the Adjutant General. The Commission staff recommends approving the proposed South Carolina National Guard Student Loan Repayment regulations, which includes the following terms of the loan repayment program:

- Must enlist, reenlist, accept a warrant or be commissioned for a term of at least six years and, at the time of enlistment, meet a critical needs area
- Must be a legal resident of South Carolina
- Must maintain satisfactory performance in the National Guard
- Must submit an application each year to Commission on Higher Education in order to be eligible for loan repayment
- Eligible student loans may be repaid at the rate of \$4500 per year for a maximum of four years
- Payments made directly to the loan provider
- Eligible loans are guaranteed under part B or part E of Title IV of the Higher Education Act of 1965, must be in good standing and be at least one year old

Recommendation

The Committee on Access, Equity and Student Services recommends that the Commission on Higher Education approve the proposed regulations for the South Carolina National Guard Student Loan Repayment Program. If approved by the Commission on Higher Education, the amended regulations will be submitted to the General Assembly for approval under the Administrative Procedures Act.

COMMISSION ON HIGHER EDUCATION
Chapter 62
Statutory Authority: 1976 Code Section 59-111-75

62-200 South Carolina National Guard Student Loan Repayment Program

Synopsis:

The Commission on Higher Education proposes to add in its entirety R.62-200 of the South Carolina National Guard Student Loan Program.

Instructions: Add new R.62-200, South Carolina National Guard Student Loan Repayment Program, to Chapter 62 regulations.

Text:

62-200 Purpose of the South Carolina National Guard Student Loan Repayment Program (SLRP)

Pursuant to Act 41, the Commission on Higher Education, in consultation with the South Carolina Student Loan Corporation, shall develop a loan repayment program for providing incentives for enlisting or remaining for a specified time in both the South Carolina Army and Air National Guards (SCNG) in areas of critical need. The Commission on Higher Education must define areas of critical need annually in consultation with the Adjutant General. The Commission on Higher Education shall promulgate regulations to set forth the terms of the loan repayment program.

62-205 Funding

A. This program is dependent upon annual funding from the state of South Carolina until a recurring fund or principal account is established.

B. Of the funds appropriated by the General Assembly for the loan repayment program, these funds must be retained in a separate account and used on a revolving basis for purposes of the loan repayment program and its administration. The State Treasurer shall disburse funds from this account as requested by the Commission on Higher Education and upon warrant of the Comptroller General; provided, however, that no more than ten percent of the funds annually appropriated to the Commission on Higher Education may be used for the cost of administering the program. Funds in the account and earnings from it may be carried forward in succeeding fiscal years and used for the purposes of the loan repayment program.

62-210 Member Eligibility

A. Members must enlist, reenlist, accept a warrant or be commissioned with a term of service of at least 6 years. Members must have a remaining obligation of at least four years as members of the SCNG for SLRP benefits to initiate. SLRP benefits may not initiate until an eligible loan is at least one year old and the active member has completed one year of satisfactory service in the SCNG. Members must meet a specified area of critical need according to the Critical Needs List at the time of enlistment, reenlistment, warranting or commissioning.

B. Members must complete a South Carolina National Guard Student Loan Repayment Program Eligibility Form as part of the enlistment or re-enlistment contract. The Adjutant General will make available eligibility forms to recruiting/retention officers. Recruiting/retention officers must obtain a control number from the Commission on Higher Education before offering SLRP benefits to any member of the SCNG. At the end of each fiscal year, the Commission on Higher Education shall provide the Adjutant General with a list of all members who have been issued a control number for SLRP eligibility.

C. Members must submit a completed South Carolina National Guard Student Loan Repayment Program Annual Application each fiscal year in accordance with the "Annual Application" Section.

D. Members must certify that they are legal residents of South Carolina.

E. ARNG members must have completed basic training (BT), advanced individual training (AIT), and be Military Occupational Specialty (MOS) qualified. ANG members must be Air Force Specialty Code (AFSC) qualified.

F. Members must maintain satisfactory participation in a unit of the SCNG. Members must maintain a satisfactory record of performance of duty and attendance at unit assemblies and annual training. Failure to maintain MOS qualification, with a reasonable ability to become qualified in appropriate time, is not satisfactory participation (Grant of a commission within the SCNG will allow time for branch qualification by regulation). A file that becomes "flagged" in excess of six months for cause within the individual's control is unsatisfactory participation for purposes of this program.

62-215 Areas of Critical Need

A. Areas of critical need may include MOS/AFSC and units for the SCNG. The Commission on Higher Education in consultation with the Adjutant General will determine the MOS/AFSC and units that will be included on the Critical Needs List for the SCNG, which must be placed in priority order. The Adjutant General will provide the Critical Needs List to the Commission on Higher Education by no later than June 15 prior to the fiscal year awarding period and an update may be provided by no later than December 15 of each fiscal year.

B. For fiscal year 2002-03 only, the 2000-01 applicants for the South Carolina National Guard Tuition Assistance Program who did not receive funding and who meet all other eligibility criteria for the SLRP, except that they must have had a four-year remaining obligation at the time of initial participation in TAP, will receive priority.

C. Exact list of critical needs are subject to change each fiscal year.

62-220 Annual Application

A. The Adjutant General will provide each eligible member with the South Carolina National Guard Student Loan Repayment Annual Application form at least sixty (60) days prior to the member's anniversary date. Applications will also be available at the Commission on Higher Education's website. Each member is responsible for ensuring that the SCNG has a current mailing address.

B. Completed application for each eligible loan must be submitted to the Commission on Higher Education each fiscal year within thirty days after the member's anniversary date. The accurate and

timely submission of the application is the personal responsibility of the member. Payments will not be processed without a completed annual application.

C. Submission of a completed application does not guarantee student loan repayment. Repayment subject to the availability of funding for the program.

D. As part of the application, each member is responsible for providing the name, address, and account number for each loan provider that is eligible for student loan repayment. The member authorizes release of financial data on each eligible loan to the Commission on Higher Education.

E. Any member who has attempted to obtain or obtained funds through means of a willfully false statement or failure to reveal any material fact, condition, or circumstances affecting eligibility will be subject to applicable military justice, civil or criminal penalties, including termination in the SLRP. If SLRP benefits are terminated under this paragraph, the member may not regain eligibility in the program.

F. The Adjutant General shall provide the Commission on Higher Education by the 15th of each month with a list of eligible members whose anniversary dates fall in the previous month. The list shall include at a minimum the following information: each eligible member's name, control number, social security number, whether he/she participates in the Federal SLRP. This list should only include the names of the member's that are eligible based on the fact that they have maintained satisfactory participation in the SCNG according to paragraph F under "Member Eligibility."

62-225 Disbursements

A. The SLRP provides for the repayment by the Commission on Higher Education of a designated amount for an eligible student loan(s).

B. An eligible student loan is a loan made, insured, or guaranteed under part B of Title IV of the Higher Education Act of 1965 or any loan made under Part E of such title. Failure to qualify for an eligible student loan precludes participation in the program. These loans include:

- (1) Stafford Loans (formerly GSL)
- (2) Federally Insured Student Loans (FISL)
- (3) Perkins Loans (formerly NDSL)
- (4) Auxiliary Loans to Assist Students (ALAS)
- (5) Supplemental Loans for Students (SLS)
- (6) Consolidated Loan Program (CLP)
- (7) SMART Loans

C. Eligible student loans must be at least one year old and in good standing. Loans that fall into default at any time will not be eligible for repayment. It is the member's responsibility to see that this does not occur by making arrangements for payment, deferment or forbearance with the loan provider on any loan(s), which payment is due.

D. On the anniversary date of each completed satisfactory year of service in the SCNG for a maximum of four years, the member may be eligible to receive student loan repayment based upon meeting the eligibility requirements of the program. Member must have a remaining obligation of at least four years as members of the SCNG for SLRP benefits to initiate. Loans may not be processed for payment prior to the member's anniversary date. The four years of eligibility are not required to be consecutive.

E. Benefits will be paid at the rate of no more than \$4,500 per year of satisfactory service in the SCNG, for a maximum total of four years and \$18,000. Disbursements will not exceed indebtedness. For example if a member has a loan that is not at least \$4,500, then the payment amount will not exceed the payoff for the loan.

F. The Commission on Higher Education may periodically adjust the amount of the award based upon inflation increases or other relevant factors.

G. Payments for members who have multiple loans will be divided equally among the loans if the payments do not exceed the indebtedness. Following are examples of members with multiple loans:

(1) Member A has two eligible student loans. The first loan is for \$2,000 and the second loan is for \$4,000. The amount of annual eligibility is \$4,500 since this will not exceed the total indebtedness of \$6,000. The first loan will receive a payment of \$2,000 since that is the total amount owed and it does not exceed half of the annual eligibility. The second loan will receive a payment of \$2,500, the remaining benefit for the annual eligibility of \$4,500.

(2) Member B has three eligible loans. The first loan is for \$4,200, the second loan is for \$4,500, and the third loan is for \$5,200. The amount of annual eligibility is \$4,500 since this will not exceed the total indebtedness of \$13,900. Each loan will receive an equal payment of \$1,500 since this will not exceed the indebtedness for each loan.

H. SLRP benefits for members who also participate in the Federal Student Loan Repayment Program will be coordinated so that payment from the Federal Government must be applied first and then SLRP benefits will be applied to the outstanding balance of any eligible student loan(s) according to the "Disbursement" Section.

I. Payments shall be made directly to the loan provider with the member listed as the beneficiary of the payment so that the student loan is paid for the benefit of that member.

J. Reimbursements will not be made for any payment(s) against the student loan that has been made by the member, another individual, or another agency.

62-230 Expiration of Eligibility to Participate

A. A member's eligibility to participate in the SLRP will expire on the earlier of the following dates:

- (1) Date on which four years of payment on loans are completed;
- (2) Date member reaches the end of enlistment or reenlistment contractual obligation;
- (3) Date separated or discharged from the SCNG; and/or
- (4) Date the member becomes an unsatisfactory participant in the SCNG. If a member regains satisfactory participation in the SCNG in subsequent years according to D of "Member Eligibility" Section, additional payments may be processed on the next anniversary date of satisfactory service.

62-235 Appeals

A. Members wishing to appeal any decision regarding satisfactory performance in the SCNG must submit a written request to the Adjutant General. The Adjutant General's decision on satisfactory performance appeals shall be final.

B. Members wishing to appeal any decision regarding student loan repayment must submit a written request to the Commission on Higher Education. The Commission on Higher Education's decision on student loan repayment appeals shall be final.

62-240 Program Oversight

A. The Commission on Higher Education in consultation with the Adjutant General will coordinate the oversight of functions (e.g., guidelines, policies, procedures, regulations) relative to this program. The Commission on Higher Education shall be responsible for the allocation of funds and promulgation of the regulations.

B. The Commission on Higher Education shall review the loan program annually and report to the General Assembly on its progress and results to ensure proper administration of the program.

Preliminary Fiscal Impact Statement:

There will be no increased costs to the State or its political subdivisions.