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SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

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November 13, 2000

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

From: Dr. Karen Woodfaulk, Director
Division of Student Services

Consideration of Amended Regulations S.C. Student Loan Corporation

Summary

In 1971, the General Assembly established the South Carolina State Education Assistance Authority, empowering it to provide financial assistance to students in their pursuits of postsecondary education through the making, insuring and guaranteeing of student loans to South Carolina residents. The Authority is a public instrumentality of the State of South Carolina and is governed by its members, who are by statute members of the State Budget and Control Board.

In providing such financial assistance, the Authority has acted through its contractual agent, the South Carolina Student Loan Corporation, a private, non-profit corporation headed by its own Board of Directors. The Corporation was incorporated in 1973 for the purpose of acting as the agent of the Authority in performing the functions of making, handling, servicing and providing information about student loans.

In June, 1984, the General Assembly named the Corporation as administrator of the South Carolina Teachers Loan Program (TLP), a program established by the Education Improvement Act (EIA) of 1984 to assist students who wish to become certified teachers in the state in geographic or subject areas of critical need. These loans, first offered to qualified students in 1985, may be canceled at a rate of 20% per year for each full year of teaching in a critical area.

The TLP also includes the Governor's Teaching Program (GLP), another loan program designed to assist students who wish to become teachers. While similar to the TLP, the GLP does not require that students teach in a critical shortage area. The Corporation is in the process of phasing out the GLP, however, in response to the General Assembly's decision to cease funding for the program. SCSLC awards no new loans under the GLP

program; operating expenses for the GLP are included in the appropriation for the Teachers Loan Program.

The General Assembly empowered the Commission on Higher Education to establish regulations to govern the Teachers Loan Program. These regulations charge the Commission with two primary duties: 1) approval of the Corporation's annual operating budget associated with administering the Teachers Loan Program; and 2) approval of the appropriation request for loans made through the TLP.

The amendments proposed address three main areas:

1. 62-132 (A) & (B) have been amended to allow borrowers to cancel either at previously state percentages or at a set dollar amount, which was specified in the statute.
2. 62-132 (A) (1) was amended so that borrowers would be considered eligible for cancellation if they teach in a subject area designated as critical either at the time the loan was obtained or subsequently. Previously, borrowers were eligible for cancellation only if the subject area was designated as critical at the time the loan was received.
3. Language has been added throughout the regulations to allow for loans made to individuals "changing careers" to enter the teaching profession and for the students participating in the Critical Needs Certification Program.

*In addition to these regulatory changes 62-130 authorizes CHE to set loan maximums for the program. The Student Loan Corporation would like to recommend the maximum assistance for individuals changing careers to enter the teaching profession meeting the requirements of 62-120 (B) be set at \$15,000 per year, not to exceed an aggregate indebtedness of \$60,000. For borrowers participating in the Critical Needs Certification Program and meeting the requirements of 62-120 (C), the Student Loan Corporation suggest the borrower be eligible to receive up to \$2,000 per year, not to exceed an aggregate indebtedness of \$5,000.

The CHE staff recommends that the proposed recommendations from the Student Loan Corporations be approved as presented.



Walter Jackson
S C Commission on Higher Education
1333 Main Street Suite 200
Columbia, SC 29201

Dear Mr. Jackson:

Enclosed are the amended regulations for the South Carolina Teacher Loan Program, which we are recommending for adoption by the Commission. These amendments are needed to comply with changes made by the South Carolina Legislature this past summer. I have enclosed two copies of the regulations—one which underlines the added language and the other without the underlining.

The amendments we are proposing address three main areas:

1. 62-132 (A)&(B) have been amended to allow borrowers to cancel either at the previously stated percentages or at a set dollar amount, which was specified in the statute.
2. 62-132 (A) (1) was amended so that borrowers would be considered eligible for cancellation if they teach in a subject area designated as critical either at the time the loan was obtained or subsequently. Previously, borrowers were eligible for cancellation only if the subject area was designated as critical at the time the loan was received.
3. Language has been added throughout the regulations to allow for loans to be made to individuals changing careers to enter the teaching profession and for the students participating in the Critical Needs Certification Program.

In addition to these regulatory changes you will note that 62-130 authorizes the South Carolina Commission on Higher Education to set the loan maximums for this program. After consultation with the staff of the South Carolina Department of Education and the Commission on Higher Education, we would like to recommend that the maximum assistance for individuals changing careers to enter the teaching profession and meeting the requirements of 62-120 (B) be set at \$15,000 per year, not to exceed an aggregate indebtedness of \$60,000. For borrowers participating in the Critical Needs Certification Program and meeting the requirements of 62-120 (C), we suggest that borrowers be eligible to receive up to \$2,000 per year, not to exceed an aggregate indebtedness of \$5,000.

I greatly appreciate your assistance in ensuring that these regulations are addressed by the appropriate Committee and by the Commission at its next meeting. Please let me know if there is any questions or addition information I can provide.

Thank you again for all of your help.

Sincerely,



Michael E. Fox
Vice President
Guaranty Agency Services

MEF/ssm

SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

Chapter 62

STATUTORY AUTHORITY: Act 512, Part 2, Section 9
Division 2, Subdivision C, Subpart 1(6),
Acts of Joint Resolutions of South Carolina, 1984
Article II S. C. Student Loan Corporation

Sub Article A General Introduction

62-110 Introduction

The South Carolina Student Loan Corporation, hereinafter called the Corporation, is an eligible lender under the South Carolina Student Loan Program (FFELP) as administered by the State Education Assistance Authority, hereinafter called the Authority, and has been designated pursuant to the South Carolina Education Improvement Act of 1984 to administer a loan program for State residents who wish to become certified teachers in the State in areas of critical need. All loans made under this program shall be subject to the regulations contained herein. Loans shall be made available without regard to race, sex, color, national origin, age or marital status.

Sub Article B General Regulations Relating to Borrowers

62-120 Borrower Eligibility

A. To be eligible to receive a loan under the Teachers Loan Program a student shall:

- (1) Be a citizen or permanent resident of the United States; and
- (2) Be a bonafide resident of South Carolina, as defined in applicable State statutes governing the determination of residency for tuition and fee purposes at public colleges and universities within this State; and
- (3) Have been accepted for enrollment, or enrolled in good standing in an eligible institution as defined in the Regulations of the Authority and further defined as follows:
 - (a) For institutions located in South Carolina, those:
 - (i) Which offer baccalaureate or higher degree programs which are approved for initial teacher certification by the State Board of Education (Board); or
 - (ii) Whose highest offering is the Associate of Arts or Associate of Science Degrees which are designed for transfer to baccalaureate programs including those in teacher education, and which are eleemosynary institutions accredited by the Commission on Colleges of the Southern Association of Colleges and Schools;

(b) For institutions located out of the State, those institutions which are regionally accredited and which offer baccalaureate or higher degree programs which are approved for initial teacher certification by the appropriate credentialing agency in that State; and

(4) Be enrolled on at least a half-time basis; and

(5) Indicate a desire and intent to teach in South Carolina in an area of critical need as defined by the Board annually; and

(6) If an undergraduate student who has completed one year (two semesters or the equivalent) of collegiate work and who is attending a South Carolina institution, has taken and passed a "Basic Skills Test" as required by the Board for entrance into a program of teacher education; or if an undergraduate who has not completed one year of collegiate work did achieve a score equal to or greater than the mean score achieved by all examinees in South Carolina taking the SAT or ACT in the year of graduation from high school or in the most recent year for which such figures are available; and

(7) If an undergraduate student or a first-time graduate student, have attained a cumulative grade point ratio of at least 2.75 GPR (on a 4.0 scale) in collegiate work; or if an undergraduate who has not completed one semester of college work have graduated in the top 40% of his high school class or have received a high school diploma through completion of adult education courses or passing the GED; and

(8) If an undergraduate student, be formally admitted to an undergraduate teacher education program or if the student is not yet formally admitted to such a program the Department of Education, or its equivalent, at an eligible institution must certify that the student has expressed an intent and desire to enter the field of teaching, and is enrolled in a teacher education program at a time required by the institution; and

(9) If a continuing graduate student, have maintained a 3.5 GPR (on a 4.0 scale) on graduate work; and

(10) If a graduate student, have not previously been certified to teach, but entering a program for the specific purpose of becoming certified; or, if previously certified in a non-critical area, entering a program for the specific purpose of becoming certified to teach in a subject area which is defined by the Board as an area of critical need; and

(11) Be eligible in all other respects as may subsequently be required by the Corporation.

B. To be eligible to receive a loan up to the amount designated for individuals changing careers a student shall:

(1) Meet the eligibility requirements of 62-120(A). Students who have previously earned a baccalaureate degree will not be required to meet the academic standards specified in 62-

120(A)(6), (7) and (9) during the initial year of teacher training. All applicable academic requirements must be met for all subsequent years; and

- (2) Possess a baccalaureate degree or at the time of initial application be employed as an instructional assistant in the South Carolina public school system; and
- (3) Have completed a baccalaureate degree a minimum of three years prior to the beginning of the teacher training (instructional assistants are exempt from this requirement) ; and
- (4) Have been employed on a full time basis for minimum or three years, or the equivalent in part time employment, prior to the beginning of the teacher training; and
- (5) Are not receiving any other funds through this program for the same period of teacher training.

(C) To be eligible to receive a loan up to the amount designated for individuals participating in the Critical Needs Certification Program a student must be enrolled in the Critical Needs Certification Program as certified by the Board.

Sub Article C General Regulations Relating to Loan Maximums, Administration and Repayment

62-130 Loan Maximums

- A. The maximum amount an eligible student may borrow under this program, is established by the South Carolina Commission on Higher Education, hereinafter called the Commission.
- B. The maximum amount a borrower meeting the eligibility criteria in 62-120(B) may borrow shall not be limited by any definition used by the institution in determining the eligibility for financial aid and receipt of these funds shall not affect any federal, state or private assistance which the student may be eligible to receive.

62-131 Loan Administration

- A. All loans shall be secured by a Promissory Note. Loan shall bear interest from the date of disbursement of funds to the borrower at the rate as may be specified by the Commission.
- B. The proceeds of a loan shall normally be disbursed by academic registration period, but not sooner than required by the student to meet his educational expenses. A check made co-payable to the borrower and to the institution will be forwarded to the institution for distribution to the borrower; provided, however, that in situations in which it is not feasible to issue the check co-payable, the check will be made payable to the borrower alone and forwarded to the institution. Nothing in this section shall preclude loan funds being transferred to the institution by electronic means.

(1) Borrowers participating in the Critical Needs Certification Program will receive a single disbursement annually. A check will be made payable to the borrower and forwarded directly to that borrower.

C. The student and institution shall agree to return to the Corporation any refunds applicable to these loans to which the student is entitled due to withdrawal of the student from the institution.

62-132 Repayment

A. A student who receives loans under this program shall be eligible to have the greater of 20% or three thousand dollars of the loan(s) cancelled for each full year, or the greater of 10% or one thousand five hundred dollars for each complete term of teaching experience as defined by the Board in the State in an area of critical need, up to a maximum of 100% of the amount of the loan(s) plus the interest thereon. There shall be no cancellation for partial terms.

(1) Upon employment in an eligible subject area, as defined by the Board at the time of loan application or subsequently, the borrower will be entitled to cancellation of all loans received under this program that are outstanding at the time of employment.

(2) Upon employment in a geographic area of critical need, the borrower will be entitled to cancellation of all loans received under this program even if such geographic area is subsequently no longer defined by the Board as one of critical need. If a borrower changes employment from one geographic area to another, cancellation of loans received under this program will be provided only if the geographic area to which the borrower is moving is defined as an area of critical need at that time. Defined Geographic areas of critical need will be provided to the borrower at the time the borrower begins to seek employment.

B. Borrowers who simultaneously meet the requirements described in A(1) and A(2) above shall be eligible to have the greater of 33 1/3% or five thousand dollars of the loan(s) cancelled for each full year, or the greater of 16 2/3% or two thousand five hundred dollars for each complete term, of teaching experience as defined by the Board, up to the maximum of 100% of the amount of the loan(s) plus the interest thereon. There shall be no cancellation for partial terms.

C. If a borrower does not meet the requirements for cancellation as specified in paragraph A above, the borrower must begin repayment of the loan(s) received under this program in accordance with the Regulations of the Corporation and subject to the terms of the Promissory Note(s), unless otherwise agreed to by the Corporation and the borrower. If a borrower does not initially meet the requirements for cancellations as set forth in paragraph A above, but subsequently does so, there will be no refund or credit provided for any amount paid; provided, however, any unpaid balance at the time the borrower begins teaching in an area of critical need will be eligible for cancellation subject to the regulations contained herein.

(1) Repayment of principal amount of a loan made under this program together with the interest, shall be made in monthly installments beginning six (6) months, after the date on which the

borrower ceases to carry at least one-half the normal full-time academic work load at an eligible institution as defined by the Corporation or for borrowers participating in the Critical Needs Certification Program immediately upon disbursement of the loan funds. The monthly installment shall be at a rate which will repay the loan in not less than five (5) years nor more than ten (10) years from the beginning of the repayment period, unless the Corporation, at the request of the borrower, specifically provides a prepayment schedule that will repay the loan during a period of less than five (5) years. Unless specifically authorized by the Corporation, the monthly installment shall be at a rate of not less than \$50 per month. A borrower may accelerate repayment of the loan, in whole or in part, without penalty. Repayment of the loan is not required when the borrower is eligible for cancellation under 62-132 (A) of these regulations.

(2) In the event a borrower dies, the obligation to make any further repayment shall be cancelled upon receipt of a Certification of Death, (or upon receipt of such other evidence approved by the Corporation.) In the event a borrower becomes totally and permanently disabled, the obligation to make any further repayment shall be cancelled upon receipt of certification by a licensed physician.

(3) The Corporation shall have authority to assess a late charge for failure of the borrower to pay all or part of an installment within ten (10) days after its due date. The amount of such charge may not exceed six cents (.06) for each dollar of each installment due.

(4) The Corporation shall have the authority to collect from the borrower reasonable attorney's fees and other costs and charges necessary for the collection of any amount not paid when due.

(5) Nothing in this section shall preclude any forbearance for the benefit of the borrower which may be agreed upon by the parties to the loan and approved by the Corporation

D. The Corporation shall develop and maintain such procedures, subject to the approval of the Commission, as may be necessary to carry out applicable provisions of Act 512, Acts of Joint Resolutions of South Carolina, 1984 (Educational Improvement Act), as amended, and as may be required to exercise reasonable care and diligence in the making and collection of loans.