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Executive Director

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To: Mr. Dalton Floyd, Chairman, and Members,
Commission on High Education

From: Ms. Sue Cole, Chairman
Access & Equity and 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 expensed 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 the following main areas:

Preamble:

The South Carolina Commission on Higher Education proposes to amend these regulations to reflect changes made by the South Carolina Legislature. *The changes will expand the eligibility criteria for cancellation of outstanding South Carolina Teacher Loan Program obligations. Current regulations allow cancellation eligibility when they teach in a subject area designated as critical at the time the loan is made. The proposed change will allow recipients cancellation eligibility when they teach in a subject area designated as critical at the time the loan is made or subsequently. The rate of cancellation will be amended. Currently a percentage of the debt is cancelled for teaching service. In addition the changes will allow individuals changing careers to enter the teaching profession and individuals participating in the South Carolina Critical Needs Certification Program to receive loan assistance. These regulations propose eligibility criteria and administrative changes for these two groups.*

A notice of drafting for the proposed amendments was published in the State Register on March 21, 2001.

Notice of Public Hearing and Opportunity for Public Comment:

Interested members of the public were invited to make oral or written comment on the proposed regulation at a public hearing to be conducted on June 7, 2001 at the South Carolina Commission on Higher Education Student Services and Access & Equity Committee Meeting.

Section-by-Section Discussion:

- 62-120(B) New text is added to provide eligibility criteria for individuals changing careers to enter the teaching profession.
- 62-120(C) New text is added to provide eligibility criteria for individuals participating in the South Carolina Department of Education's Critical Needs Certification Program.
- 62-130(B) New text is added clarifying that for individuals changing careers to enter the teaching profession, to the extent allowed by federal regulation, the amount of assistance received through this program will not be limited or reduced by the receipt of other financial aid, and other types of financial aid will not limit or reduce funds received through this program.
- 62-131(B) New text is added that allows a single disbursement of funds be provided directly to the borrower in the Critical Needs Certification Program annually.
- 62-132(A) New text is added that expands the cancellation rate from 20% to the greater of 20% or \$3,000 for a full year of teaching and from 10% to the greater of 10% or \$1,500 for a complete term of teaching.
- 62-132(B) New text is added that expands the cancellation rate from 33.3% to the greater of 33.3% or \$5,000 for a full year of teaching and from 16.66% to the greater of 16.66% or \$2,500 for a complete term of teaching.
- 62-132(A1) New text is added expanding the subject areas eligible for cancellation to those designated as critical at the time of the loan application as well as those designated as critical subsequent to receipt of the loan.
- 62-132(C1) New text is added stating that the amounts borrowed by individuals participating in the Critical Needs Certification Program will enter repayment immediately after disbursement but payment will not be required while the recipient is eligible for cancellation.

The recommendations will be announced at the Commission on Higher Education meeting June 7, 2001.