



**SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION**

1333 MAIN STREET

SUITE 200

COLUMBIA, S.C. 29201

RAYBURN BARTON  
Executive Director

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TELEPHONE  
803/737-2260

FAX NUMBER  
803/737-2297

TO: Austin Gilbert, Chair, and Members, South Carolina Commission on Higher Education

FROM: Susan Cole, <sup>Chair</sup> Chair, Committee on Access & Equity and Student Services

SUBJECT: Request for Interest Rate Change and Regulation Change for the Teacher Loan Program.

The Access & Equity and Student Services Committee will meet immediately prior to the Commission meeting on December 2, 1999, to consider requests from the South Carolina Student Loan Corporation for changes in Teacher Loan Program interest rates and repayment regulations.

Specific recommendations made by the Committee will be presented at the Commission meeting.

The South Carolina Student Loan Corporation (SCSLC) has requested that the Commission on Higher Education adjust the interest rate on loans made through the South Carolina Teacher Loan Program (TLP). The Commission is given the authority to set Teacher Loan Program interest rates in Chapter 62, Regulations: Student Loan Corporation, Sub-article C, Section 62-131A, which states:

All loans shall be secured by a Promissory Note. Loans shall bear interest from the date of disbursement of funds to the borrower at a rate as may be **specified by the Commission**. (Bold added)

The intent of the request by the SCSLC is two-fold:

1. Reduce the TLP interest rate to a level that is in line with other loan programs while retaining enough of a premium margin (2%) to encourage borrowers to repay the loan through teaching service, and,

2. Tie the TLP interest rate to the Stafford Student Loan Program loan interest rate plus two percent to allow for fluctuations in the TLP loan rate as national rates change. This will reduce the possibility of the current situation in which the TLP rate is almost twice the Stafford Loan rate.

The SCSLC has also requested a change in the regulations regarding the conditions of loan cancellation under the TLP. The intent of the request is to change the language to allow for cancellation of repayment requirements based on the addition of new critical needs areas between the time a student takes a loan and the time they start teaching in a critical need area. As the regulations currently read, a TLP loan will be forgiven if the borrower teaches in a critical need area as defined at the time of their loan origination. The change would allow for consideration of changes in critical needs areas between the time of loan origination and employment.