

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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SENATE BILL 137*
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PROPOSED HOUSE COMMITTEE SUBSTITUTE S137-PCS85139-RQ-9

Short Title: Establish Forgivable Loan Fund.

(Public)

Sponsors:

Referred to:

February 28, 2011

1 A BILL TO BE ENTITLED
2 AN ACT TO ESTABLISH THE FORGIVABLE EDUCATION LOANS FOR SERVICE
3 PROGRAM AND THE FORGIVABLE EDUCATION LOANS FOR SERVICE FUND
4 AS RECOMMENDED BY THE JOINT SELECT COMMITTEE ON STATE-FUNDED
5 STUDENT FINANCIAL AID.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.** Effective July 1, 2011, Part 1 of Article 23 of Chapter 116 of the
8 General Statutes is amended by adding a new section to read:

9 **"§ 116-209.45. Forgivable Education Loans for Service Program and Fund.**

10 (a) Policy. – The General Assembly finds that it is in the public interest to provide
11 financial assistance in the form of forgivable loans for service to qualified students who are
12 committed to working in the State in order to respond to critical employment shortages.

13 (b) Definitions. – The following definitions apply in this section:

14 (1) Eligible Institution. – Notwithstanding G.S. 116-201(b)(5) and
15 G.S. 116-201(b)(6) and for purposes of this section only, an institution of
16 higher education that is any of the following:

17 a. A postsecondary constituent institution of The University of North
18 Carolina as defined in G.S. 116-2(4).

19 b. A community college as defined in G.S. 115D-2(2).

20 c. A nonprofit postsecondary institution as defined in G.S. 116-22(1).

21 d. A postsecondary institution owned or operated by a hospital
22 authority as defined in G.S. 131E-16(14).

23 e. A school of nursing affiliated with a nonprofit postsecondary
24 institution as defined in G.S. 116-22(1).

25 f. Another public or nonprofit postsecondary institution offering a
26 program of study not otherwise available in North Carolina that is
27 deemed to be eligible under rules promulgated by the Authority.

28 (2) Fund. – The Forgivable Education Loans for Service Fund.

29 (3) Loan. – A forgivable loan made under the Program.

30 (4) Program. – The Forgivable Education Loans for Service Program.

31 (c) Establish Forgivable Education Loans for Service Program. – There is established
32 the Forgivable Education Loans for Service Program to be administered by the Authority. The
33 purpose of the Program is to facilitate and promote the making, insuring, and collection of



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1 loans from the Forgivable Education Loans for Service Fund. The Program shall initially target
2 future teachers, nurses, and allied health professionals.

3 (d) Establish Forgivable Loans for Service Fund. – There is established the Forgivable
4 Education Loans for Service Fund to be administered by the Authority. The purpose of the
5 Fund is to provide financial assistance to qualified students to enable them to obtain the
6 requisite education beyond the high school level to work in North Carolina in certain high-need
7 professions as identified by the General Assembly and to respond to current as well as future
8 employment shortages in North Carolina.

9 (e) Eligibility for Loans. – The Authority shall establish the criteria for initial and
10 continuing eligibility to participate in the Program. All loan recipients shall be residents of
11 North Carolina and shall attend an eligible institution.

12 The Authority shall adopt standards deemed appropriate by the Authority to ensure that
13 only qualified, potential recipients receive a loan under the Program. The standards may
14 include minimum grade point average and satisfactory academic progress.

15 (f) Loan Terms and Conditions. – The following terms and conditions shall apply to
16 each loan made pursuant to this section:

17 (1) Promissory note. – All loans shall be evidenced by promissory notes made
18 payable to the Authority.

19 (2) Interest. – All promissory notes shall bear an interest rate established by the
20 Authority that does not exceed ten percent (10%) and is in relation to the
21 current interest rate for nonneed-based federal loans made pursuant to Title
22 IV of the Higher Education Act of 1965, as amended. Interest shall accrue
23 from the date of disbursement of the loan funds.

24 (3) Loan amount. – The Authority shall establish the amount of the loan based
25 on funds available and factors such as the recipient's educational program,
26 enrollment status, and field of study.

27 (4) Repayment. – The Authority shall establish the criteria for loan forgiveness
28 for employment in a designated field in North Carolina. These criteria may
29 provide for accelerated repayment and less than full-time employment
30 options. The Authority shall collect cash repayments when service
31 repayment is not completed. The Authority shall establish the terms for cash
32 repayment, including a minimum monthly repayment amount and maximum
33 period of time to complete repayment.

34 (5) Death and disability. – The Authority may forgive all or part of a loan if it
35 determines that it is impossible for the recipient to repay the loan in cash or
36 service because of the death or disability of the recipient.

37 (6) Hardship. – The Authority may grant a forbearance, a deferment, or both in
38 hardship circumstances when a good faith effort has been made to repay the
39 loan in a timely manner.

40 (7) Other. – The Authority may establish other terms and conditions that are
41 necessary or convenient to effectuate the Program.

42 (g) Advisory Group. – The Authority shall appoint an advisory group composed of, at
43 minimum, appropriate representatives from higher education institutions and health and labor
44 departments, agencies, or commissions to make recommendations to the Authority regarding
45 the Authority's future apportionment and distribution of Program loans based on projected labor
46 market shortages, higher education enrollment projections, and other relevant information.

47 (h) Use of Fund Monies. – All funds appropriated to or otherwise received by the
48 Authority to provide loans through the Program, all funds received as repayment of loans, and
49 all interest earned on these funds shall be placed in the Fund. The Fund shall be used only for
50 loans made pursuant to this section and for administrative costs of the Authority.

1 (i) Rule-making Authority. – The Authority may adopt rules necessary to implement,
2 administer, and enforce the provisions of this section.

3 (j) Report to the General Assembly. – The Authority shall report no later than
4 December 1, 2013, and annually thereafter to the Joint Legislative Education Oversight
5 Committee regarding the Fund and loans awarded from the Fund."

6 **SECTION 2.(a)** G.S. 90-171.100 and G.S. 90-171.101 are repealed.

7 **SECTION 2.(b)** All financial obligations to any student awarded a scholarship
8 loan from the Graduate Nurse Scholarship Program for Faculty Production Fund before July 1,
9 2012, shall be fulfilled with funds from the Forgivable Education Loans for Service Fund
10 established under G.S. 116-209.45 provided the student remains eligible under the provisions
11 of the Graduate Nurse Scholarship Program for Faculty Production Fund. All contractual
12 agreements between a student awarded a scholarship loan from the Graduate Nurse Scholarship
13 Program for Faculty Production Fund before July 1, 2012, and the State Education Assistance
14 Authority remain enforceable and the provisions of G.S. 90-171.100 and G.S. 90-171.101 that
15 would be applicable but for this section shall remain applicable with regard to any scholarship
16 loan awarded before July 1, 2012.

17 **SECTION 2.(c)** All assets and liabilities in the Graduate Nurse Scholarship
18 Program for Faculty Production Fund shall be transferred to the Forgivable Education Loans
19 for Service Fund established under G.S. 116-209.45.

20 **SECTION 3.(a)** G.S. 90-171.60, 90-171.61, and 90-171.62 are repealed.

21 **SECTION 3.(b)** All financial obligations to any student awarded a scholarship
22 loan from the Nursing Scholars Program Fund and the Masters Nursing Scholars Program Fund
23 before July 1, 2012, shall be fulfilled with funds from the Forgivable Education Loans for
24 Service Fund established under G.S. 116-209.45 provided the student remains eligible under
25 the provisions of the Nursing Scholars Program Fund and the Masters Nursing Scholars
26 Program Fund. All contractual agreements between a student awarded a scholarship loan from
27 the Nursing Scholars Program Fund and the Masters Nursing Scholars Program Fund before
28 July 1, 2012, and the State Education Assistance Authority remain enforceable and the
29 provisions of G.S. 90-171.60, 90-171.61, and 90-171.62 that would be applicable but for this
30 section shall remain applicable with regard to any scholarship loan awarded before July 1,
31 2012.

32 **SECTION 3.(c)** All assets and liabilities in the Nursing Scholars Program Fund
33 and the Masters Nursing Scholars Program Fund shall be transferred to the Forgivable
34 Education Loans for Service Fund established under G.S. 116-209.45.

35 **SECTION 4.(a)** G.S. 90-171.65 is repealed.

36 **SECTION 4.(b)** All financial obligations to any student awarded a scholarship
37 loan from the Nurse Education Scholarship Loan Fund before July 1, 2012, shall be fulfilled
38 with funds from the Forgivable Education Loans for Service Fund established under
39 G.S. 116-209.45 provided the student remains eligible under the provisions of the Nurse
40 Education Scholarship Loan Fund. All contractual agreements between a student awarded a
41 scholarship loan from the Nurse Education Scholarship Loan Fund before July 1, 2012, and
42 the State Education Assistance Authority remain enforceable and the provisions of
43 G.S. 90-171.65 that would be applicable but for this section shall remain applicable with regard
44 to any scholarship loan awarded before July 1, 2012.

45 **SECTION 4.(c)** All assets and liabilities in the Nurse Education Scholarship Loan
46 Fund shall be transferred to the Forgivable Education Loans for Service Fund established under
47 G.S. 116-209.45.

48 **SECTION 5.(a)** G.S. 116-40.10 is repealed.

49 **SECTION 5.(b)** All financial obligations to any student awarded a scholarship
50 loan from the Board of Governors' Dental Scholarship Loan Fund before July 1, 2012, shall be
51 fulfilled with funds from the Forgivable Education Loans for Service Fund established under

1 G.S. 116-209.45 provided the student remains eligible under the provisions of the Board of
2 Governors' Dental Scholarship Loan Fund. All contractual agreements between a student
3 awarded a scholarship loan from the Board of Governors' Dental Scholarship Loan Fund before
4 July 1, 2012, and the State Education Assistance Authority remain enforceable and the
5 provisions of G.S. 116-40.10 that would be applicable but for this section shall remain
6 applicable with regard to any scholarship loan awarded before July 1, 2012.

7 **SECTION 5.(c)** All assets and liabilities in the Board of Governors' Dental
8 Scholarship Loan Fund shall be transferred to the Forgivable Education Loans for Service Fund
9 established under G.S. 116-209.45.

10 **SECTION 6.(a)** G.S. 116-40.9 is repealed.

11 **SECTION 6.(b)** All financial obligations to any student awarded a scholarship
12 loan from the Board of Governors' Medical Scholarship Loan Fund before July 1, 2012, shall
13 be fulfilled with funds from the Forgivable Education Loans for Service Fund established under
14 G.S. 116-209.45 provided the student remains eligible under the provisions of the Board of
15 Governors' Medical Scholarship Loan Fund. All contractual agreements between a student
16 awarded a scholarship loan from the Board of Governors' Medical Scholarship Loan Fund
17 before July 1, 2012, and the State Education Assistance Authority remain enforceable and the
18 provisions of G.S. 116-40.9 that would be applicable but for this section shall remain
19 applicable with regard to any scholarship loan awarded before July 1, 2012.

20 **SECTION 6.(c)** All assets and liabilities in the Board of Governors' Medical
21 Scholarship Loan Fund shall be transferred to the Forgivable Education Loans for Service Fund
22 established under G.S. 116-209.45.

23 **SECTION 7.(a)** G.S. 116-209.33 and G.S. 116-209.34 are repealed.

24 **SECTION 7.(b)** All financial obligations to any student awarded a scholarship
25 loan from the Prospective Teachers Scholarship Loan Fund before July 1, 2012, shall be
26 fulfilled with funds from the Forgivable Education Loans for Service Fund established under
27 G.S. 116-209.45 provided the student remains eligible under the provisions of the Prospective
28 Teachers Scholarship Loan Fund. All contractual agreements between a student awarded a
29 scholarship loan from the Prospective Teachers Scholarship Loan Fund before July 1, 2012,
30 and the State Education Assistance Authority remain enforceable and the provisions of
31 G.S. 116-209.33 and G.S. 116-209.34 that would be applicable but for this section shall remain
32 applicable with regard to any scholarship loan awarded before July 1, 2012.

33 **SECTION 7.(c)** All assets and liabilities in the Prospective Teachers Scholarship
34 Loan Fund shall be transferred to the Forgivable Education Loans for Service Fund established
35 under G.S. 116-209.45.

36 **SECTION 8.** G.S. 116-209.35 is repealed.

37 **SECTION 9.(a)** G.S. 116-209.30 is repealed.

38 **SECTION 9.(b)** All contractual agreements between a student awarded a
39 scholarship loan from the Social Workers' Education Loan Fund before July 1, 2012, and the
40 State Education Assistance Authority remain enforceable and the provisions of
41 G.S. 116-209.30 that would be applicable but for this section shall remain applicable with
42 regard to any scholarship loan awarded before July 1, 2012.

43 **SECTION 9.(c)** All assets and liabilities in the Social Workers' Education Loan
44 Fund shall be transferred to the Forgivable Education Loans for Service Fund established under
45 G.S. 116-209.45.

46 **SECTION 10.(a)** All financial obligations to any student awarded a scholarship
47 loan from the Student Loan Program for Health, Science and Mathematics Fund before July 1,
48 2012, shall be fulfilled with funds from the Forgivable Education Loans for Service Fund
49 established under G.S. 116-209.45 provided the student remains eligible under the provisions
50 of the Student Loan Program for Health, Science and Mathematics Fund. All contractual
51 agreements between a student awarded a scholarship loan from the Student Loan Program for

1 Health, Science and Mathematics Fund before July 1, 2012, and the State Education Assistance
2 Authority regarding the loan remain enforceable.

3 **SECTION 10.(b)** All assets and liabilities in the Student Loan Program for Health,
4 Science and Mathematics Fund shall be transferred to the Forgivable Education Loans for
5 Service Fund established under G.S. 116-209.45.

6 **SECTION 11.** All assets and liabilities in the Future Teachers of North Carolina
7 Fund shall be transferred to the Forgivable Education Loans for Service Fund established under
8 G.S. 116-209.45.

9 **SECTION 12.** All assets and liabilities in the Physical Education. – Coaching
10 Scholarship Loan Fund shall be transferred to the Forgivable Education Loans for Service Fund
11 established under G.S. 116-209.45.

12 **SECTION 13.** All assets and liabilities in the Optometry Scholarship Loan Fund
13 shall be transferred to the Forgivable Education Loans for Service Fund established under
14 G.S. 116-209.45.

15 **SECTION 14.** Except as otherwise provided herein, this act becomes effective July
16 1, 2012.