

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011

S

D

SENATE BILL 137\*  
Second Edition Engrossed 3/22/11  
House Committee Substitute Favorable 4/6/11  
PROPOSED HOUSE COMMITTEE SUBSTITUTE S137-PCS35237-RB-21

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) or  
21 G.S. 116-43.5.

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

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

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

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

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

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



\* S 1 3 7 - P C S 3 5 2 3 7 - R B - 2 1 \*

1       (c)     Establish Forgivable Education Loans for Service Program. – There is established  
2 the Forgivable Education Loans for Service Program to be administered by the Authority. The  
3 purpose of the Program is to facilitate and promote the making, insuring, and collection of  
4 loans from the Forgivable Education Loans for Service Fund. The Program shall initially target  
5 future teachers, nurses, and allied health professionals.

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

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

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

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

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

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

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

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

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

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

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

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

50       (h)     Use of Fund Monies. – All funds appropriated to or otherwise received by the  
51 Authority to provide loans through the Program, all funds received as repayment of loans, and

1 all interest earned on these funds shall be placed in the Fund. The Fund shall be used only for  
2 loans made pursuant to this section and for administrative costs of the Authority.

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

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

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

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

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

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

23 **SECTION 3.(b)** All financial obligations to any student awarded a scholarship  
24 loan from the Nursing Scholars Program Fund and the Masters Nursing Scholars Program Fund  
25 before July 1, 2012, shall be fulfilled with funds from the Forgivable Education Loans for  
26 Service Fund established under G.S. 116-209.45 provided the student remains eligible under  
27 the provisions of the Nursing Scholars Program Fund and the Masters Nursing Scholars  
28 Program Fund. All contractual agreements between a student awarded a scholarship loan from  
29 the Nursing Scholars Program Fund and the Masters Nursing Scholars Program Fund before  
30 July 1, 2012, and the State Education Assistance Authority remain enforceable and the  
31 provisions of G.S. 90-171.60, 90-171.61, and 90-171.62 that would be applicable but for this  
32 section shall remain applicable with regard to any scholarship loan awarded before July 1,  
33 2012.

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

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

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

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

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

1           **SECTION 5.(b)** All financial obligations to any student awarded a scholarship  
2 loan from the Board of Governors' Dental Scholarship Loan Fund before July 1, 2012, shall be  
3 fulfilled with funds from the Forgivable Education Loans for Service Fund established under  
4 G.S. 116-209.45 provided the student remains eligible under the provisions of the Board of  
5 Governors' Dental Scholarship Loan Fund. All contractual agreements between a student  
6 awarded a scholarship loan from the Board of Governors' Dental Scholarship Loan Fund before  
7 July 1, 2012, and the State Education Assistance Authority remain enforceable and the  
8 provisions of G.S. 116-40.10 that would be applicable but for this section shall remain  
9 applicable with regard to any scholarship loan awarded before July 1, 2012.

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

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

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

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

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

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

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

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

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

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

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

49           **SECTION 10.(a)** All financial obligations to any student awarded a scholarship  
50 loan from the Student Loan Program for Health, Science and Mathematics Fund before July 1,  
51 2012, shall be fulfilled with funds from the Forgivable Education Loans for Service Fund

1 established under G.S. 116-209.45 provided the student remains eligible under the provisions  
2 of the Student Loan Program for Health, Science and Mathematics Fund. All contractual  
3 agreements between a student awarded a scholarship loan from the Student Loan Program for  
4 Health, Science and Mathematics Fund before July 1, 2012, and the State Education Assistance  
5 Authority regarding the loan remain enforceable.

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

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

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

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

18 **SECTION 14.** Except as otherwise provided herein, this act becomes effective July  
19 1, 2012.