

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011

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SENATE BILL 137\*  
Second Edition Engrossed 3/22/11  
House Committee Substitute Favorable 4/6/11

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

47 **SECTION 5.(b)** All financial obligations to any student awarded a scholarship  
48 loan from the Board of Governors' Dental Scholarship Loan Fund before July 1, 2012, shall be  
49 fulfilled with funds from the Forgivable Education Loans for Service Fund established under  
50 G.S. 116-209.45 provided the student remains eligible under the provisions of the Board of  
51 Governors' Dental Scholarship Loan Fund. All contractual agreements between a student

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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