

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2011**

**SENATE BILL 137  
RATIFIED BILL**

AN ACT TO ESTABLISH THE FORGIVABLE EDUCATION LOANS FOR SERVICE PROGRAM AND THE FORGIVABLE EDUCATION LOANS FOR SERVICE FUND AS RECOMMENDED BY THE JOINT SELECT COMMITTEE ON STATE-FUNDED STUDENT FINANCIAL AID.

The General Assembly of North Carolina enacts:

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

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

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

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

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

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

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

c. A nonprofit postsecondary institution as defined in G.S. 116-22(1) or G.S. 116-43.5.

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

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

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

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

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

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

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

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

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

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



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

- (1) Promissory note. – All loans shall be evidenced by promissory notes made payable to the Authority.
- (2) Interest. – All promissory notes shall bear an interest rate established by the Authority that does not exceed ten percent (10%) and is in relation to the current interest rate for nonneed-based federal loans made pursuant to Title IV of the Higher Education Act of 1965, as amended. Interest shall accrue from the date of disbursement of the loan funds.
- (3) Loan amount. – The Authority shall establish the amount of the loan based on funds available and factors such as the recipient's educational program, enrollment status, and field of study.
- (4) Repayment. – The Authority shall establish the criteria for loan forgiveness for employment in a designated field in North Carolina. These criteria may provide for accelerated repayment and less than full-time employment options. The Authority shall collect cash repayments when service repayment is not completed. The Authority shall establish the terms for cash repayment, including a minimum monthly repayment amount and maximum period of time to complete repayment.
- (5) Death and disability. – The Authority may forgive all or part of a loan if it determines that it is impossible for the recipient to repay the loan in cash or service because of the death or disability of the recipient.
- (6) Hardship. – The Authority may grant a forbearance, a deferment, or both in hardship circumstances when a good faith effort has been made to repay the loan in a timely manner.
- (7) Other. – The Authority may establish other terms and conditions that are necessary or convenient to effectuate the Program.

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

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

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

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

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

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

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

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

**SECTION 3.(b)** All financial obligations to any student awarded a scholarship loan from the Nursing Scholars Program Fund and the Masters Nursing Scholars Program Fund before July 1, 2012, shall be fulfilled with funds from the Forgivable Education Loans for

Service Fund established under G.S. 116-209.45 provided the student remains eligible under the provisions of the Nursing Scholars Program Fund and the Masters Nursing Scholars Program Fund. All contractual agreements between a student awarded a scholarship loan from the Nursing Scholars Program Fund and the Masters Nursing Scholars Program Fund before July 1, 2012, and the State Education Assistance Authority remain enforceable and the provisions of G.S. 90-171.60, 90-171.61, and 90-171.62 that would be applicable but for this section shall remain applicable with regard to any scholarship loan awarded before July 1, 2012.

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

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

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

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

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

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

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

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

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

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

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

**SECTION 7.(b)** All financial obligations to any student awarded a scholarship loan from the Prospective Teachers Scholarship Loan Fund before July 1, 2012, shall be fulfilled with funds from the Forgivable Education Loans for Service Fund established under G.S. 116-209.45 provided the student remains eligible under the provisions of the Prospective Teachers Scholarship Loan Fund. All contractual agreements between a student awarded a scholarship loan from the Prospective Teachers Scholarship Loan Fund before July 1, 2012, and the State Education Assistance Authority remain enforceable and the provisions of

G.S. 116-209.33 and G.S. 116-209.34 that would be applicable but for this section shall remain applicable with regard to any scholarship loan awarded before July 1, 2012.

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

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

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

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

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

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

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

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

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

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

1, 2012. **SECTION 14.** Except as otherwise provided herein, this act becomes effective July  
In the General Assembly read three times and ratified this the 4<sup>th</sup> day of May, 2011.

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Walter H. Dalton  
President of the Senate

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Thom Tillis  
Speaker of the House of Representatives

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Beverly E. Perdue  
Governor

Approved \_\_\_\_\_ .m. this \_\_\_\_\_ day of \_\_\_\_\_, 2011