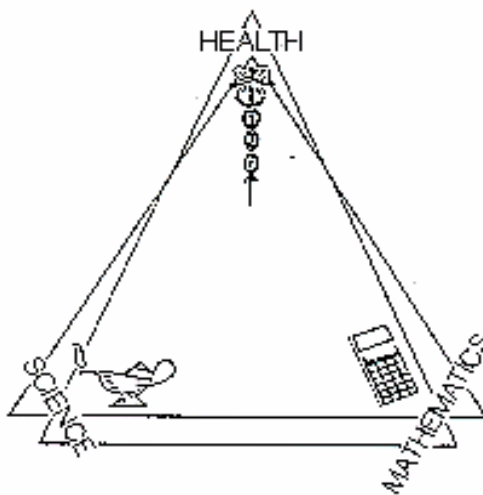


**NORTH CAROLINA STUDENT LOAN PROGRAM**  
**For**  
**HEALTH, SCIENCE AND MATHEMATICS**

**RULES AND REGULATIONS**  
**2001-02**



**A Program of the**  
**North Carolina State Education Assistance Authority**  
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# THE STUDENT LOAN PROGRAM FOR HEALTH, SCIENCE AND MATHEMATICS

## SECTION. 0100 - PURPOSE, SCOPE AND DEFINITIONS

### .0101 PURPOSE

The purpose of the Student Loan Program for Health, Science, and Mathematics (hereafter referred to as the Student Loan Program or HSM Program) is to provide financial assistance and encouragement to qualified North Carolina residents on the basis of demonstrated financial need as determined by the Board of Directors of the State Education Assistance Authority (SEAA) to obtain degrees or other recognized credentials in selected programs of study and to pursue professional careers for service in North Carolina in:

- (a) underserved areas of the State where there is a documented need for health care professionals;
- (b) elementary, secondary, and postsecondary educational systems that need health, science, or mathematics professionals and;
- (c) selected employment opportunities which have documented shortages of specific types of health, science, and mathematics professionals.

Loans are awarded on the basis of demonstrated financial need and other criteria as determined by the Board of Directors of the SEAA.

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### .0102 SCOPE

Loans are available for study in selected health, mathematics and science instructional programs that lead to a degree, certificate, or diploma. Funding of some disciplines will be contingent upon present and projected employment statistics, health and veterinary care shortage areas in eligible fields of study. Approved disciplines will be specified by the Board annually and printed in Program literature.

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### .0103 DEFINITIONS

The following definitions apply to terms used in the "Rules for the Student Loan Program for Health, Science and Mathematics" (hereinafter 'HSM rules'):

- (a) Administrative/Academic Delays - The conditions described at .0509 regarding interruptions in time of academic instruction leading to the stated degree, diploma or certificate objective for which the HSM loan was advanced.
- (b) Appeal Process - The procedure described at .0511 by which an applicant may seek reexamination of a decision by the Program Office.
- (c) Application or Application Packet - The body of information including specified forms as set forth at .0301 which the applicant is required to submit to the Program Office for consideration within the stated deadline for submission.
- (d) Approved Disciplines - Programs of academic instruction leading to a degree, certificate or diploma in areas of study determined by the SEAA Board of Directors to be essential to serve the citizens of North Carolina consistent with the purpose and scope of the HSM program.
- (e) Congressional Methodology (CM) - The approved method of need analysis recognized by the SEAA Board of Directors for determining a student's financial Family contribution (FC) available from income and assets to meet the student's educational expenses.
- (f) Degree, Certificate or Diploma - A title or formal recognition conferred upon a student by a college, university, professional school or other educational enterprise to signify completion of a unified program of study resulting in the acquisition of a specific body of knowledge.
- (g) Dependent Student - A student who meets the test of dependency required under the current in-force Federal regulations controlling student financial assistance authorized under Title IV of the Higher Education Act of 1965, as amended.
- (h) Disability - Conditions described at .0506 that are certifiable by appropriate medical authorities with respect to the mental or physical health of an applicant or recipient that may impair the ability of the recipient in fulfilling his/her HSM agreement(s).
- (i) Domicile or Residency in North Carolina - The conditions required to establish the applicant as a resident of the State of North Carolina for purposes of school attendance as described at .0201. Generally, a student must meet the requirements of the RESIDENCY MANUAL published by the General Administration of the University of North Carolina establishing the requirements for in-state tuition payment in publicly supported postsecondary institutions in North Carolina.
- (j) Employment - The engagement for compensation or due consideration described in .0207.
- (k) Financial Hardship - The conditions described at .0507 affecting a loan applicant or recipient under the HSM program.
- (l) Financial Need - The difference between the student's cost of education or cost of attendance and the student's ability to pay those costs. For purposes of this program, "Financial Need" means the sum derived after subtracting from the cost of Attendance (CA), (1) the Family Contribution (FC) obtained under the Congressional Methodology

(CM), and (2) any financial assistance awarded to the student under the auspices of the educational institution the student attends.

- (m) Forbearance - The granting of the interruption in the payment of principal on an obligation provided that accruing interest is paid under terms acceptable to the Program Office.
- (n) Independent Student - A student who meets the test of independency set forth in the current Federal regulations governing the awarding of financial aid under Title IV of the Higher Education Act of 1965, as amended and set forth at .0514
- (o) Legal Fees - Any court costs, attorney fees, collection agency fees or any other costs expended in the recovery of the recipient's debt to the HSM Program Office.
- (p) Program Office or Program Officer - The staff and personnel employed by the University of North Carolina for the Board of Directors of the North Carolina State Education Assistance Authority who are charged by the SEAA Board with the responsibility for managing, operating and directly overseeing the HSM program.
- (q) Program Regulations or HSM Rules - The rules adopted as authorized under Chapter 116-204(2) empowering the SEAA Board of Directors to promulgate rules and regulations for the administration of Student assistance programs for which the Board has responsibility.
- (r) Promissory Note - The legally enforceable agreement between an HSM recipient and the North Carolina State Education Assistance Authority which sets forth the terms and conditions under which the recipient shall repay the scholarship loan in either service or cash.
- (s) Practice/Discipline Approval - The process by which a recipient may seek specific approval for service cancellation at a practice site or in service discipline sanctioned by the Program Office.
- (t) Primary Care - For purposes of the HSM Program practice regulations, medical primary care is limited to Emergency Medicine, Family Medicine, General Medicine, Geriatrics, internal Medicine, OB/GYN, Pediatrics and Psychiatry.
- (u) Satisfactory Academic Progress - The requirements of an educational institution that are recognized by the Program Office as sufficient for HSM purposes in reviewing the academic forward progress of a student in the formal program of study for which the student was approved for an HSM scholarship loan. A student deemed not in satisfactory progress by the educational institution is under no circumstances in satisfactory progress with the Program Office. Under unusual conditions, however, institutional satisfactory progress determinations may be insufficient for purposes of the HSM Program.
- (v) SEAA Board of Directors - The appointed body created under G.S. 116-203 and charged under G.S. 116-204 with powers and duties necessary to carry out the affairs of the North Carolina State Education Assistance Authority.
- (w) Service Cancellation - The requirements set forth at .0701 regarding the repayment to the State of North Carolina through service in an approved site or discipline in consideration for the funds advanced to the recipient under the HSM scholarship loan program.

- (x) Surety or Sureties - The persons described at .0303 and .0504 who must qualify as credit-worthy cosigners on a promissory note(s) signed by the recipient in exchange for consideration advanced by the Program Office.
- (y) Underserved Area of the State - A geographic location, institution, State facility, agency or other areas as determined by the Board of Directors of the Authority based upon the most reliable data available to them in a discipline(s) to be in need of trained personnel in such discipline(s).
- (z) Underserved Discipline - A shortage of expertise in a specific body of knowledge determined by the Board of Directors of the Authority upon the most reliable data available to them to be essential to the health and welfare of citizens of the State of North Carolina.

History Note: Amended February 9, 1990, Effective July 1, 1990.  
Amended February 14, 1992, Effective July 1, 1992.  
Amended February 12, 1993, Effective July 1, 1993.

## SECTION .0200 - ELIGIBILITY RULES

### .0201 DOMICILE

- (a) For the purpose of obtaining a loan, a person must be a citizen of the United States and have maintained domicile in the State of North Carolina for at least 12 months immediately prior to a request for residency status.
- (b) In order to be eligible for classification as a legal resident under the Student Loan Program, an individual must establish physical presence in the State of North Carolina during such 12-month period for the purpose of maintaining a bona fide domicile rather than for the purpose of mere temporary residence incident to enrollment in an institution of higher education, or for application for a loan under this Program.
- (c) In some cases, it may be necessary to conduct an inquiry into the question of domiciliary intent. If so, an applicant may be requested to provide an appropriate petition for analysis on forms to be made available by the Student Loan Program Office.
- (d) A student must qualify for payment of in-state tuition and fees if attending a North Carolina state-supported school; however, the payment of in-state tuition and fees does not establish bona fide domicile eligibility for the Student Loan Program.

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### .0202 ACCEPTANCE/ENROLLMENT IN A COURSE OF STUDY

- (a) An applicant must have been unconditionally admitted, promoted, or be enrolled as a Priority Level I (full-time) student in an accredited associate, certificate, diploma, baccalaureate, master's, or doctoral program in an eligible course of study, or in a clinical affiliation leading to a degree, or certificate.
- (b) If already attending school, a student must have been unconditionally promoted to the succeeding class.
- (c) A specialized course of study, internship or clinical affiliation qualifies only if it is a requirement for the degree or certificate for which the loan was awarded.
- (d) Eligible fields of study are identified by the Higher Education and General Information Survey (HEGIS) entitled: "A Classification of Instructional Programs." The specific disciplines for which loans may be granted will be printed annually in the Program literature.

- (e) If a question of eligibility for a program of study should arise, a determination will be made by the Program staff and/or the Board after consultation with an official of the appropriate educational institution.

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Amended Eff. January 1, 1985.  
SEAA Board Amended 2/9/90 [.0202(a)]

### **.0203 FINANCIAL NEED**

- (a) Financial need formula: Standard cost-of-living allowance (or institutional cost-of-living data) plus educational costs minus student contributions and other educational resources (and family contributions of dependent students) equals applicants' financial need.
  - (1) Standard cost-of-living allowance is based on institutional cost-of-living data obtained each year or the Bureau of Labor Statistics moderate budget for 9-month and 12-month periods, by category. Categories are: single, married, married with one child, married with two children, and married with three children. This model will also be used to obtain cost-of-living allowances for unmarried applicants with dependent children. In such cases, the total number of persons in the family will be the major criterion.
  - (2) Educational costs for each school are defined as tuition, required fees, books, equipment, uniforms, laboratory costs, and any other program requirements.
  - (3) Expected family contribution is defined as parents and students contribution (for dependent applicants) or students and their spouses contribution (for independent students, if applicable) utilizing the Congressional Methodology.
- (b) Applicants' independent status will be recognized for the purpose of computing financial need upon receipt and approval of requested documentation.
- (c) The Program staff may contact any parties or sources of information which it deems necessary to verify applicants' eligibility for a loan, or to substantiate claims of dependent or independent status.
- (d) Students accepted in this Program prior to 1983 will have their annual loan renewed automatically, pending verification of unconditional promotion and compliance with all Program regulations.
- (e) Students who entered this Program in 1983 and after will have to meet financial eligibility criteria annually, be unconditionally promoted and comply with all Program regulations in order to continue to receive educational loans for the duration of the educational program for which a loan was initially granted.

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#### **.0204 LOANS NOT AVAILABLE**

Loans are not available for:

- (a) repeating academic coursework for which a loan was previously granted, except where such coursework is being carried concurrently with full-time coursework in the succeeding class;
- (b) students in decelerated programs;
- (c) students enrolled below Priority Level IV (3 semester hours);
- (d) enrollment during the first year of a four or five-year undergraduate program of study. All loan recipients must be accepted or enrolled full-time in an eligible program of study;
- (e) persons enrolled in licensed practical nursing programs and pre-professional programs such as pre-medicine, pre-pharmacy, etc.;
- (f) educational credits through correspondence or extension courses;
- (g) enrollment in educational institutions located outside of the continental United States.

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SEAA Amended 2/9/90 [.0204(c)]

#### **.0205 CRITERIA FOR SELECTION OF RECIPIENTS**

The following criteria are considered in selecting Program participants:

- (1) financial need;
- (2) applicants' satisfactory academic progress or acceptance in disciplines for which loans are awarded;
- (3) North Carolina residency;

- (4) sureties financial ability to repay all loans and accrued interest in case of applicants' default;
- (5) applicants' willingness to work in underserved areas of the State, or in disciplines for which there is a shortage of professionals upon the completion of all required coursework and/or postgraduate training;
- (6) applicants' willingness to comply with all Program regulations throughout the life of all loan(s).

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 Eff. December 10, 1983;  
 Adopted Eff. January 1, 1985.

#### **.0206 METHOD OF SELECTION OF RECIPIENTS**

The following method of selection of recipients shall be employed by the Program Office:

- (a) HSM applications and program information shall be distributed widely throughout the State;
- (b) an application packet shall contain all information necessary for an interested person to complete the process of applying for an HSM loan;
- (c) forms required, certifications needed and deadlines for receipt by the Program Office shall be stated clearly;
- (d) upon receipt by the Program Office, applications shall be logged-in as to completeness and satisfaction of all requirements;
- (e) recipients shall be selected from among completed applicants subject to:
  - (1) Manpower needs of the State as determined by the SEAA Board of Directors,
  - (2) Funds available to support the HSM Program annually,
  - (3) Applicants determined to have financial need who are most in need by the State for the training they seek,
  - (4) Recipients shall be selected from completed applications within the deadline date using a point rating system that includes but is not limited to (i) extent of financial need, (ii) discipline or practice shortage factor, (iii) academic merit and (iv) factors determined by the Program Office to be material in judging the likelihood of the applicant to render service to the State of North Carolina.

History Note: Amended February 9, 1990, Effective July 1, 1990.

**.0207 AGREEMENT TO WORK IN NORTH CAROLINA**

- (a) Upon completion of all required academic coursework and/or postgraduate training, loan recipients in qualifying disciplines that indicated their desire for loan cancellation by service, shall agree to accept employment in North Carolina one full calendar year for each academic year or fraction thereof for which a loan was received.
- (b) The term "employment" as used herein shall mean full-time work (minimum 40 hours) in the discipline in which the borrower received loan(s) for training after obtaining a license, if required by the State.
- (c) Recipients agree to follow all Program regulations for service cancellation in their respective discipline.

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## **SECTION .0300 - INITIAL APPLICATION**

### **.0301 APPLICATION FORM AND SUPPORTING INFORMATION**

- (a) Applications are available during a specified period each year as established by the Board.
- (b) Loan applicants are to submit the following data to the locations specified on the instruction sheet included in each packet;
  - (1) Program Application;
  - (2) the back page of the Program brochure;
  - (3) financial needs analysis form;
  - (4) surety statements;
  - (5) applicants' and/or sureties most recent North Carolina and/or Federal Income Tax Return upon request;
  - (6) parental affidavit certifying students' independent status if requested;
  - (7) certification of unconditional acceptance or promotion; whichever is applicable.
- (c) The Program staff may contact any parties or sources of information which it deems necessary to verify all information submitted on behalf of each loan request.

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### **.0302 APPROVAL**

The following items will be provided upon approval of the application an supporting documentation:

- (a) the promissory note form with instructions for their correct negotiation;
  - (1) The signature page of the promissory note is to be signed by the applicant and all sureties before a notary public or clerk of superior court;
  - (2) Except for the back copy that each student retains for his/her files, all other copies of the promissory note and signature page a to be returned to the Student Loan Program Office.
- (b) One copy of the Regulations;
- (c) a letter of understanding (including a statement of intent) which, when signed by the applicant, indicates that he/she has read the rules of the program, agrees to comply with the loan cancellation procedures for the applicant's respective discipline, and will comply with all program regulations;

- (1) The applicant's signature should be notarized by a clerk of superior court or notary public;
- (2) It should be returned with the promissory note to the Program Office.

### **.0303 SECURITY FOR THE LOAN**

- (a) Each loan must be secured by a promissory note signed by the recipient and two or more sureties (cosigners) unless other means of security have been approved by the Board or Program staff.
- (b) The recipient and the sureties (cosigners) must complete and sign the notes before a notary public or a clerk of superior court.
- (c) A surety:
  - (1) may not be the recipient, a spouse of the recipient, a current participant of the Student Loan Program, staff member, nor a member of the Board of Directors of the SEAA;
  - (2) must supply sufficient information for the Program staff to determine if he/she has sufficient assets to cover the amount of the loan for which he/she is a cosigner. The most recent North Carolina State and/or Federal Income Tax Return filed by the surety may be used to verify this information. A credit check and/or other criteria may be used in the determination of a surety's satisfactory credit record.
- (d) In exceptional cases, the Program Office may approve the use of another option(s) to guarantee a loan.

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### **.0304 CHECK**

- (a) Upon receipt and approval of the properly executed note forms and other required documentation, the Student Loan Program Office will authorize a check to be issued on the student's behalf.
- (b) Checks will be mailed approximately ten (10 days before classes begin, but in no case prior to July 1 of the academic year in which the proceeds are to be applied. Initial class dates may be verified by an institutional official from recipients' respective schools.

- (c) Financial aid officers will be notified of loans awarded to students enrolled in their respective institutions.

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## **SECTION .0400 – RENEWAL LOANS**

### **.0401 TIME LIMIT**

Loans are approved for only one academic year at a time. Payments may be on a semester, quarter, or annual basis.

History Note: Filed as a Temporary Rule Eff. August 12, 1983,  
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### **.0402 RENEWAL APPLICATIONS**

A renewal application and supporting information consists of:

- (a) letter of instruction;
- (b) an abbreviated application;
- (c) financial needs analysis form;
- (d) surety statement(s) when necessary.

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Eff. December 10, 1983;  
Amended Eff. January 1, 1985

### **.0403 DISBURSEMENT**

- (a) A renewal loan check is disbursed after:
  - (1) approval of a completed renewal application form and other information requested by the Program Office;
  - (2) receipt of a financial needs analysis and the computation of financial need under Rule .0203 of this subchapter;
  - (3) notification of unconditional promotion to the succeeding class;
  - (4) approval of sureties (if new sureties are added to subsequent promissory notes);
  - (5) notification of educational expenses for specific disciplines and year of study from an official of loan recipients' respective institution;
  - (6) receipt of a properly negotiated promissory note;

(7) July 1 of the academic year in which the proceeds are to be applied.

- (b) In professional programs such as medicine and optometry where classes begin prior to the release of progress reports, recipients may be issued checks to meet scheduled payment dates for educational costs. If the Program Office is subsequently informed that students were not unconditionally promoted or failed to meet other eligibility criteria, borrowers and/or their sureties are required to return the check or repay the principal and all accrued interest.

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#### **.0404 REPETITION OF ACADEMIC WORK**

Loan recipients that repeat academic work are not eligible for financial assistance until the academic deficiencies are removed, except where coursework is being repeated concurrently with a full course load in the succeeding class. Students in Decelerated Programs of Study cannot receive loan awards for the years that they are enrolled in such programs and not unconditionally promoted.

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## **SECTION .0500 - GENERAL RULES**

### **.0501 STATE POLICY ON CIVIL RIGHTS**

- (a) The State of North Carolina is committed to the nondiscriminatory administration of funds and programs.
- (b) No person in the State of North Carolina shall be denied participation in the Program, be denied benefits of the Program, or be subjected to discrimination under the Student Loan Program because of race, color, age, sex, national origin, or a handicapping condition.

History Note: Filed as a Temporary Rule Eff. August 12, 1983,  
for a Period of 120 Days to Expire on December 10, 1983;  
Statutory Authority G.S. 143-47.21 through 143-47.24;  
Amended Eff. January 1, 1985.

### **.0502 PERMISSIBLE USE**

Loans shall be used only for payment of tuition, required fees, institution equipment, training materials and books, living expenses, and other educationally related expenses.

History Note: Filed as a Temporary Rule Eff. August 12, 1983,  
for a Period of 120 Days to Expire on December 10, 1983;  
Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. December 10, 1983;  
Amended Eff. January 1, 1985.

### **.0503 CORRESPONDENCE**

- (a) A recipient is responsible for answering promptly all correspondence for the Program Office.
- (b) A recipient is responsible for notifying the Program Office of any change(s) in name, address, academic standing, or other pertinent circumstances which would affect the recipient's loan status while the contract is in force.

History Note: Filed as a Temporary rule Eff. August 12, 1983,  
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Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. December 10, 1983;  
Amended Eff. January 1, 1985.

#### **.0504 SURETIES (COSIGNERS)**

If a cosigner(s) credit rating falls below the acceptable standards set by the Program Office, his/her net assets decrease to an amount less than the amount(s) of all loan commitment(s), or he/she dies while the loan contract(s) are in force, or if he/she is no longer willing to serve as a surety, the following applies:

- (a) A new cosigner must be secured who meets the requirements of the Program Regulations.
- (b) An amended note to all original notes signed by the original cosigner(s) must be executed for the total principal requirements of the original note commitment(s) in case of a cosigner's death.
- (c) All sureties (cosigners) are responsible for the principal and all accrued interest on an Amended Promissory Note that bears their signature.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984, for a Period of 120 Days to Expire on November 22, 1984;  
Filed as a Temporary Rule Eff. August 12, 1983, for a Period of 120 Days to Expire on December 10, 1983;  
Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. December 10, 1983;  
Amended Eff. January 1, 1985.

#### **.0505 DEATH OF LOAN RECIPIENT**

If a recipient dies while the contract is in force, any balance owed on the contract may be recovered from the deceased recipient's estate or forgiven by the Board of Directors of the SEAA at the discretion of the Board.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984, for a Period of 120 Days to Expire on November 22, 1984;  
Filed as a Temporary Rule Eff. August 12, 1983, for a Period of 120 Days to Expire on December 10, 1983;  
Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. December 10, 1983;  
Amended Eff. January 1, 1985;  
Amended February 14, 1992, Effective July 1, 1992.

#### **.0506 DISABILITY**

In the event that a recipient becomes mentally or physically disabled after incurring a loan obligation, a recipient may apply to the Program office for a waiver, deferment, or suspension of any loan obligation. Deferments shall be reviewed not less than one annually by the Program Office. Cancellation of any obligation due to disability must be approved by the Board of Directors of the SEAA.

History Note: Filed as a Temporary Rule Eff. August 12, 1983,  
For a Period of 120 Days to Expire on December 10, 1983;  
Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. December 10, 1983;  
Amended Eff. January 1, 1985.

#### **.0507 FINANCIAL HARDSHIP**

In the event that a loan recipient can prove severe financial hardship over an extended period of time, the recipient may apply to the Program Office for a waiver, deferment, or cancellation of any outstanding loan obligation(s). All approved deferments will be reviewed on an annual basis. All requests for loan cancellation due to financial hardship must be approved by the Board of Directors of SEAA.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
for a Period of 120 Days to Expire on November 22, 1984;  
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for a Period of 120 Days to Expire on December 10, 1983;  
Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. December 10, 1983;  
Amended Eff. January 1, 1985.

#### **.0508 TRANSFER**

- (a) The Program Office may approve the transfer of a student receiving loan(s) from one field of study or one degree level to another, provided however, such transfer shall be for study toward a higher degree.
- (b) If approved, the financial assistance will be adjusted within the conditions applying to the field of study and degree level into which the recipient transfers. Loan recipients may be awarded a maximum \$10,000 for an undergraduate education (with the exception of students enrolled in five-year baccalaureate programs). For all graduate/professional education, the maximum loan amount is \$34,000. The aggregate loan amount for one student for undergraduate and graduate education is \$44,000.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. December 10, 1983;  
Amended Eff. January 1, 1985.

#### **.0509 ADMINISTRATIVE/ACADEMIC DELAYS**

- (a) During an enrollment period for which funding has been received, a recipient may apply for an Administrative or Academic Delay for:
  - (1) academic reasons with written certification of circumstances from the academic dean or advisor;
  - (2) illness with the written verification of a licensed physician stating the nature of the illness and the approximate date that the recipient will be able to return to training;
  - (3) maternity leave with the written verification of a licensed physician verifying the pregnancy. Maternity leave of absence not to exceed six months;
  - (4) graduate training in an approved field of study;
  - (5) official leave of absence during the training period not to exceed one year. Verification from the academic Dean or other school official stating the reasons and expected time of return is required.
- (b) An academic delay application is available from the Student Loan Program Office.
- (c) During approved delay periods, interest will continue to accrue on borrowers' accounts. In cases where extenuating circumstances persist over an extended period of time, the borrower may be required to pay the interest amount while the principal loan amount(s) is delayed.
- (d) Any other kind of delay may be considered upon written application to the Student Loan Program Office.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984, for a Period of 120 Days to Expire on November 22, 1984;  
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Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. December 10, 1983;  
Amended Eff. January 1, 1985.

#### **.0510 INELIGIBILITY**

Loans shall become due and payable by the borrower and surety within ninety (90) days after: (a) the borrower's withdrawal from school prior to the successful completion of all academic coursework; (b) the borrower's academic failure and/or removal from school or the training program prior to the successful completion of all required coursework and postgraduate training. In the event that the borrower becomes mentally or physically disabled after incurring a loan obligation, the

borrower may apply to the Student Loan Program for a waiver, deferment, or suspension of the loan obligation.

History Note: Filed as a Temporary Rule Eff. August 12, 1983, for a period of 120 Days to Expire on December 10, 1983; Statutory Authority G.S. 143-47.21 through 143-47.24; Eff. December 10, 1983; Amended Eff. January 1, 1985.

#### **.0511 APPEAL PROCESS**

- (a) A participant may file notice of appeal for an administrative decision to the manager(s) of HSM. The appeal will be forwarded to the Assistant Director of SEAA who may refer the matter to the Board for consideration at its next regularly scheduled meeting at which time a resolution or disposition will be made. The Manager(s) of HSM will notify the appellee of the decision.
- (b) If an immediate decision of an appeal is needed, the appeal may be heard and decided:
  - (1) in a conference call scheduled by the Board Secretary, Board members must file verification of votes following the conference call.
  - (2) by written appeal circulated to each board member through the U.S. mail by the Secretary to the Board.

History Note: Filed as a Temporary Rule Eff. August 12, 1983, for a period of 120 Days to Expire on December 10, 1983; Statutory Authority G.S. 143-47.21 through 143-47.24; Eff. December 10, 1983; Amended Eff. January 1, 1985.

#### **.0512 DISCRETIONARY AUTHORITY OF THE PROGRAM STAFF**

- (a) The Manager of Selection and Origination Services has the authority to make decisions and conduct the normal affairs of the Program in accordance with the intent of Chapter 116, Article 23 of the General Statutes as follows:
  - (1) approve and disapprove loan applications and sureties;
  - (2) approve sole sureties for persons with sufficient collateral;
  - (3) authorize the disbursement of student loan checks;
  - (4) approve or disapprove academic or administrative delays;
  - (5) initiate and/or expand communications with education officials, members of other groups/ organizations, and individuals about this Program;

- (6) request documentation to substantiate information submitted on behalf of applicant's requests.
- (b) The Manager of Repayment Services has the authority to make decisions and conduct the normal affairs of the Program in accordance with intent of Chapter 116 of Article 23 of the General Statutes as follows:
  - (1) determine methods of loan cancellation;
  - (2) determine appropriate methods of collection of delinquent accounts;
  - (3) accept loan payments;
  - (4) approve notes for cancellation;
  - (5) determine eligibility for deferment of cash repayment;
  - (6) approve practice sites;
  - (7) oversees interest calculation of accrued interest.
- (c) With the concurrence of the Executive Director or Assistant Director communicate with board members and act appropriately on their behalf on issues and concerns which require their attention.
- (d) The appropriate unit manager will submit a recommendation for waiver of or exception to rule or regulation to the Board at its next regularly scheduled meeting. The Board members may be polled between meetings when required.
- (e) Consistent with the Bylaws of the Authority, the Executive Committee is empowered to act for the Board between regular meetings subject to ratification at the next regularly scheduled meeting of the Board. The actions of the Executive Committee are binding at the time as if an action of the full Board.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984, for a Period of 120 Days to Expire on November 22, 1984; Filed as a Temporary Rule Eff. August 12, 1983, for a period of 120 Days to Expire on December 10, 1983; Statutory Authority G.S. 143-47.21 through 143-47.24; Eff. December 10, 1983; Amended Eff. January 1, 1985. Eff. July 1, 1990.

**.0513 DEPENDENT STUDENT**

A dependent student is an applicant who does not meet the requirements set forth in .0514 to be considered an Independent Student.

**.0514 INDEPENDENT STUDENT**

A student is considered an independent applicant for HSM student aid if he or she meets any one of the following criteria, as noted below:

- (a) Is 24 years old by December 31 of the academic year for which he/she will be enrolled, or
- (b) the student is a veteran of the U.S. Armed Forces, or
- (c) the student is a ward of the court or both parents are dead, or
- (d) the student has legal dependents other than a spouse, or
  
- (e) the student is married and his or her parents did not claim the student as an income tax exemption in the previous year, or
- (f) the student is a graduate/professional student and his or her parents did not claim the student as an income tax exemption in the previous year, or
- (g) the student is an unmarried undergraduate student, and both of the following are true:
  - (1) the student's parents did not claim him or her as an income tax exemption in the two preceding years, and
  - (2) the student demonstrated self-sufficiency by showing annual total resources of \$4,000 or more (not including parent's support) in the previous two years.

Resources include wages, salary, tips, interest and dividend income, student financial aid (except PLUS loans), personal long term cash loans used for educational purposes, and any other income and benefits, such as veteran's cash benefits, fellowships, etc.

**NOTE:** A student is not considered as independent under the above criteria if claimed by any individual as an income tax exemption in the tax year preceding the award year or in the award year.

History Note: Effective July 1, 1990.

## **SECTION .0600 - MAXIMUM LOAN AMOUNTS**

### **.0601 ASSOCIATE DEGREE**

- (a) The maximum amount for each full academic year is three thousand dollars (\$3,000).
- (b) The total maximum amount is six thousand dollars (\$5,000) for two years for eligible students in selected disciplines.

History Note: Filed as a Temporary Rule Eff. August 12, 1983, for a period of 120 Days to Expire on December 10, 1983; Statutory Authority G.S. 143-47.21 through 143-47.24; Eff. December 10, 1983; Amended Eff. January 1, 1985.

### **.0602 CERTIFICATE PROGRAMS**

- (a) The maximum amount for each full academic year is three thousand dollars (\$3,000) for non-baccalaureate programs, or for programs in which recipients have not been awarded a baccalaureate degree.
- (b) The total maximum amount for two-year certificate program is six thousand dollars (\$6,000).
- (c) The maximum amount for certificate programs in which a baccalaureate degree is required for admission is five thousand (\$5,000) annually.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984, for a Period of 120 Days to Expire on November 22, 1984; Filed as a Temporary Rule Eff. August 12, 1983, for a period of 120 Days to Expire on December 10, 1983; Statutory Authority G.S. 143-47.21 through 143-47.24; Eff. December 10, 1983; Amended Eff. January 1, 1985.

### **.0603 DIPLOMA PROGRAMS**

- (a) The maximum amount for each full academic year for diploma programs in hospital schools of nursing is five hundred dollars (\$500).
- (b) the total maximum amount is one thousand dollars (\$1,000) for two years.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984, for a Period of 120 Days to Expire on November 22, 1984; Filed as a Temporary Rule Eff. August 12, 1983, for a

period of 120 Days to Expire on December 10, 1983;  
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Eff. December 10, 1983;  
Amended Eff. January 1, 1985.

**.0604 BACCALAUREATE DEGREE**

- (a) The maximum amount for each full academic year is five thousand dollars (\$5,000).
- (b) The total maximum amount is ten thousand dollars (\$10,000) for four years in an accredited baccalaureate program. Engineering and other students in an approved five-year undergraduate program may receive maximum loans totaling fifteen thousand dollars (\$15,000).

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Filed as a Temporary Rule Eff. August 12, 1983, for a  
period of 120 Days to Expire on December 10, 1983;  
Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. December 10, 1983;  
Amended Eff. January 1, 1985.  
Eff. July 1, 1996

**.0605 MASTER'S DEGREE**

- (a) The maximum amount for each full academic year is six thousand five hundred dollars (\$6,500).
- (b) The total maximum loan amount for two years is thirteen thousand dollars (\$13,000).

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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period of 120 Days to Expire on December 10, 1983;  
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Eff. December 10, 1983;  
Amended Eff. January 1, 1985.  
Eff. July 1, 1996

**.0606 DOCTOR OF PHILOSOPHY/PROFESSIONAL HEALTH SCIENCE**

- (a) The maximum amount for each full academic year is eight thousand five hundred dollars (\$8,500).
- (a) The total maximum amount is thirty four thousand dollars (\$34,000) for four years of full-time study.
- (b) The aggregate maximum amount for all undergraduate and graduate loans is fifty-eight thousand dollars (\$58,000).

History Note: Filed as a Temporary Rule Eff. August 12, 1983, for a period of 120 Days to Expire on December 10, 1983; Statutory Authority G.S. 143-47.21 through 143-47.24; Eff. December 10, 1983; Amended Eff. January 1, 1985. Eff. July 1, 1996

#### **.0607 EXCEPTIONS**

- (a) If a clinical year, internship, or specialized program of not less than one academic year's duration is a required part of a degree program and exceeds the limit for maximum dollars and years of eligibility, a recipient may receive funds for an additional year. This rule does not apply to students in a graduate training program.
- (b) the Program Office reserves the right to verify the official length of required full-time study for all instructional programs for which loans may be awarded.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984, for a Period of 120 Days to Expire on November 22, 1984; Filed as a Temporary Rule Eff. August 12, 1983, for a period of 120 Days to Expire on December 10, 1983; Statutory Authority G.S. 143-47.21 through 143-47.24; Eff. December 10, 1983; Amended Eff. January 1, 1985.

## SECTION .0700 - GENERAL PRACTICE RULES

### .0701 CANCELLATION

- (a) Loans received for all programs, with the exception of nurse education, may be cancelled with interest on the basis of a calendar year of service as specified in Section .0800 of this Subchapter for each academic year or fraction thereof for which the student received a loan.
- (b) Loans received for nurse education may be cancelled with interest on the basis of a consecutive period of time computed pro-rata based upon a 2,000 hour year required for cancellation of the maximum award. The service repayment period must be equal to or exceed six consecutive months with the same employer before service credit will be granted.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. February 1, 1976;  
Readopted Eff. December 19, 1977;  
Amended Eff. April 23, 1979;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1985  
Amended Effective July 1, 1991.

### .0702 EXAMINATIONS

- (a) Licensure examinations must be written the first time they are offered following the completion of required coursework.
- (b) If the recipient fails to pass the first two successive licensure examinations offered following the completion of required coursework, a recipient's note(s) becomes due and payable.

History Note: Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. February 1, 1976;  
Readopted Eff. December 19, 1977;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1985

### .0703 PRACTICE OR EMPLOYMENT

- (a) Full-time employment should begin within ninety (90) days after completion of training unless otherwise stated in the promissory note for which each loan was awarded.

- (b) Practice begins for physicians and veterinarians within three (3) years after graduation from medical school or within ninety (90) days after completion of their postgraduate training unless otherwise stipulated in the promissory note.
- (c) Practice begins for dentists and optometrists within ninety (90) days after passing the North Carolina Licensure Examination unless other stipulations are made in the promissory note.
- (d) Mathematics and science doctoral students must be employed within seven (7) years from the date of the initial loan.
- (e) Mathematics and science masters students must be in practice within three (3) years after the initial loan.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Eff. February 1, 1976;  
Readopted Eff. December 19, 1977;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1985

#### **.0704 EXCLUSIONS**

Positions in research and federal facilities are excluded for purposes of cancellation of loans. The one exception to this regulation is Veterinarians that practice in research facilities.

History Note: Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. February 1, 1976;  
Readopted Eff. December 19, 1977;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1985

#### **.0705 AFFIDAVIT OF SERVICE AND CERTIFICATION**

- (a) The practitioners referred to in Rule .0803 and .0813 of this Subchapter must submit an Affidavit of Service and Certification to the Student Loan Program Office upon completion of each year of practice obligation for final approval of the year of practice. The Practitioner must:
  - 1) state the following information on the Affidavit of Service: total number of patient visits; total number of medicare/medicaid patients for which payment was received under Titles XVIII and XIX of the Social Security Act; list by categories any other medically underserved patients treated;
  - 2) sign the Affidavit of Service certifying that he/she practiced on a full-time basis for the specific year, have it notarized and returned to the Student Loan Program Office;

- 3) shall submit two letters on appropriate institutional letterhead stationary from either a public health official, hospital administrator, a public official or citizen living in the practice site community certifying the place of practice and practice dates for the one year of service that cancellation is requested;
  - 4) state on the Affidavit of Service with respect to a veterinary practitioner the percentage of food animal, equine, and other animals treated. The Affidavit of Service must be certified by a Certified Public Accountant who has access to the books of the Veterinary practice.
- (b) The recipients referred to in Rules .0801, .0802, .0804, .0805, .0806, .0807, .0808, .0809, .0810, .0811, .0812, .0813, .0814, .0815, .0816, .0817, .0818, .0820, .0822, and .0823 must submit a letter from an appropriate official on appropriate institutional letterhead stationary upon completion of each year of service obligation, verifying the full-time employment for a full calendar year for final approval of the year of service for service cancellation of the loan.
  - (c) The Student Loan Program Office will submit a request to the recipient requesting either the Affidavit of Service and the Letters of Certification or a letter from an institution or agency at the end of each year of the recipient's obligation.

If the recipient fails to submit the appropriate employment verification within ninety (90) days of the request to submit this information, the Program office will consider the account to be in default and request cash payment of the loan.

- (d) If the recipient becomes ineligible to continue his/her service obligation for the full year, the practitioner must follow the same procedure as stated in Rule .0705A in order to receive partial cancellation of the loan.
- (e) The Student Loan Program Office reserves the right to conduct its own inquiries in verifying fulfillment of loan commitments.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984, for a Period of 120 Days to Expire on November 22, 1984; Statutory Authority G.S. 143-47.21 through 143-47.24; Eff. February 1, 1976; Readopted Eff. December 19, 1977; Transferred from 10NCAC3K Eff. January 1, 1983; Amended Eff. January 1, 1983; Amended Eff. January 1, 1985; Amended Eff. September 29, 1988. Amended February 12, 1993, Eff. July 1, 1993. .0706

## **.0706 PRACTICE APPROVAL**

The Student Loan Program Office reserves the right to disapprove a practice location if not in accord with the purpose of the Program as stated in Rule .0101.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984, for a Period of 120 Days to Expire on November 22, 1984; Statutory Authority G.S. 143-47.21 through 143-47.24;

Eff. February 1, 1976;  
Readopted Eff. December 19, 1977;  
Amended Eff. February 9, 1978;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1983  
Amended Effective January 1, 1985.

#### **.0707 DEFERMENT**

Deferment of the loan commitment may be granted at the discretion of the Student Loan Program Office upon receipt of a deferment application and proper documentation of the deferment under the following circumstances:

- (a) military service for a period not to exceed three (3) years; recipient may qualify for deferment if their spouses are required to leave North Carolina under this condition pursuant to a permanent change of duty station;
- (b) extended illness upon receipt of a written statement from a physician stating the nature of the illness and the tentative date that the recipient will be able to return to training or employment;
- (c) maternity leave of absence for a period not to exceed six (6) months upon receipt of a written statement from a physician verifying the pregnancy;
- (d) postgraduate training when the extended education does not preclude practice in accordance with the loan agreement:
  - (1) Medical school loan recipients may request a deferment for a period not to exceed seven (7) consecutive years to complete their or their spouses' internship, residency or other postgraduate training.
  - (2) Dentistry, optometry and pharmacy graduates may request a deferment of not more than two (2) years in succession for their or their spouses' post graduate training.
  - (3) Mathematics and science masters and doctoral students who entered the program as graduate students and who have completed all degree requirements except dissertation or thesis, within the time period as stated by their respective institutions, and within the three (3) or seven (7) years allowed for postgraduate training by the Student Loan Program Office, may be granted a deferment not to exceed one year.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Amended Eff. January 1, 1985.  
Amended Eff. July 1, 1990.

**.0708 FORBEARANCE**

Forbearance of the loan commitment may be granted for a specified time period at the discretion of the Student Loan Program Office upon receipt of a written forbearance request and proper documentation, provided:

- (a) recipient continues to be enrolled in at least a half-time academic program; or
- (b) recipient is completing service repayment outside the State of North Carolina on an educational loan from another source which was received prior to or concurrent with the HSM loan.

Interest, as stated on the Promissory Note, accrues during the time of forbearance and must be paid on a regular basis as agreed upon with the Student Loan Program Office. Repayment of the principal owed may be deferred until the recipient graduates, withdraws from school or completes service repayment for prior concurrent obligation.

History Note: Adopted February 14, 1992, effective July 1, 1992.

## **SECTION. 0800 - SPECIFIC PRACTICE REQUIREMENTS**

### **.0801 AUDIOLOGY**

- (a) The recipient may practice as an audiologist in any medical facility, state or county public institutions and agencies which provide services predominantly to such institutions, excluding employment in a physician's office, private practice, research or federal facilities.
- (b) The recipient must submit to the student Loan Program Office a letter from an appropriate official stating the official beginning date of full time employment.

History Note: Adopted January 15, 1995  
Effective July 1, 1995

### **.0802 CARDIOLOGY**

- (a) The licensed Cardiologist may practice in any licensed hospital, state or nonprofit, community health programs; cardiology treatment centers and cardiology hospital units, diagnostic centers, research facilities, educational institutions, clinics and private physician offices in any county in the State of North Carolina, excluding federal facilities.
- (b) The Cardiologist must submit an application and three letters of support from either a local health department, department of social services, hospital administrator or a public official to the Student Loan Program Office for approval of the practice.
- (c) The practitioner must specify a practice site and submit a health care plan, which demonstrates that the practitioner intends to serve the indigent, Medicare and/or Medicaid eligible population. The practitioner must agree to serve Medicare and Medicaid patients as well as the indigent and to accept payment under these programs (Titles XVIII and XIX of the Social Security Act) and to notify in writing the local social services department, public health center and hospital director(s) of the location of the practice and of the agreement to accept referrals appropriate to the recipient's practice.
- (d) The Cardiologist must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

Effective June 6, 2000

### **.0803 CLINICAL PSYCHOLOGIST**

- (a) The recipient may practice in hospitals, state or county medical facilities, elementary or secondary educational institutions. Private practice and employment in research and federal facilities are excluded.

- (b) The recipient must submit to the student Loan Program Office a letter from an appropriate supervisor stating the official beginning date of full-time employment.

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Eff. February 1, 1976;  
Amended Eff. January 1, 1985.  
Readopted Eff. December 19, 1977;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Eff. December 10, 1983;  
Amended Eff. January 1, 1985.

**.0804 CHIROPRACTIC MEDICINE, DENTISTRY, OPTOMETRY, OSTEOPATHIC MEDICINE, PODIATRY, AND PRIMARY CARE** (Emergency Medicine, Family Practice, General Medicine, Geriatrics, Internal Medicine, Obstetrics and Gynecology, Pediatrics, and Psychiatry).\*

- (a) The practitioner may practice in:

- (1) any town, village or urban area designated as a health man-power shortage area by the Program Office, or designees approved by the SEAA Board of Directors;
- (2) in health care fields in which there are critical shortages in state-owned mental and rehabilitation facilities; community-sponsored mental health clinics and facilities for the mentally retarded; and state and community-sponsored correctional and youth service institutional facilities; or state or local public health departments and nonprofit community primary care programs or other areas or institutions approved by the SEAA Board of Directors.

- (b) If the practitioner proposes to practice in a town, village or urban area as defined in Rule .0803(a)(1):

- (1) The practitioner must submit an application and three letters of support from either a local health department, department of social services, hospital administrator or a public official to the Student Loan Program Office for approval of the practice.
- (2) The practitioner must specify a practice site and submit a health care plan which demonstrates how the practitioner intends to serve the indigent, medicare and/or medicaid eligible population. The practitioner must agree to serve medicare, and medicaid patients as well as the indigent and to accept payment under these programs (Titles XVII and XIX of the Social Security Act) and to notify in writing the local social services department, public health center and hospital director(s) of the location of the practice and of the agreement to accept referrals appropriate to the recipient's practice.

\* Medical practitioners that practice in a discipline other than the ones listed above will be required to repay their loans in cash.

- (c) If the practitioner proposes to practice in a medical facility as defined in Rule .0803(a)(2), he/she must submit a letter to the Student Loan Program Office from an official of that institution or organization stating the official beginning date of full-time employment.

- (d) Emergency medicine practitioners may practice in any hospital, located in any town, village or urban area designated as a health manpower shortage area by the Student Loan Program Office or by designee approved by the SEAA Board of Directors. An Affidavit of Service is not required.

The emergency medicine practitioner must submit to the Student Loan Program Office a letter from an official of the hospital stating the official beginning date of full-time employment.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Eff. February 1, 1976;  
Amended Eff. January 30, 1977;  
Readopted Eff. December 19, 1977;  
Amended Eff. April 23, 1979;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1983;  
Amended Eff. January 1, 1985.

#### **.0805 COMMUNICATIONS ASSISTANT**

- (a) The recipient may practice as a Communications Assistant in any medical facility, state or county public institutions and agencies which provide services predominantly to such institutions which require licensure by the North Carolina Board of Examiners for Speech and Language Pathologist and Audiologists as part of the position description, excluding employment in research or federal facilities. The Communications Assistant must work full time under the supervision of a licensed Speech/Language Pathologist.
- (b) The recipient must submit to the Student Loan Program Office a letter from the licensed Pathologist stating the official beginning date of full time employment.

History Note: Adopted January 15, 1995  
Effective July 1, 1995

#### **.0806 CYTOTECHNOLOGY**

- (a) The recipient may practice as a cytotechnologist in any medical facility, state or county public institutions and agencies which provide services predominantly to such institutions, excluding research and federal facilities.
- (b) The recipient must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

History Note: Adopted February 8, 1991, Effective July 1, 1991.

#### **.0807 DENTAL HYGIENE**

- (a) The recipient may practice as a dental hygienist in any medical facility, state or county public institutions and agencies which provide services predominantly to such institutions which require licensure by the N.C. Board of Dental Hygienists as a part of the position description, excluding employment in research or federal facilities. The dental hygienist must work full-time under the supervision of a licensed dentist.
- (b) The recipient must submit to the Student Loan Program Office a letter from the supervising licensed dentist stating the official beginning date of full-time employment.

History Note: Adopted February 14, 1992  
Effective July 1, 1992

#### **.0808 DIETETICS AND NUTRITION**

- (a) The recipient may practice in any licensed hospital, public health program, state psychiatric facility, facilities for the mentally retarded, public elementary or secondary educational systems or county agricultural extension service.
- (b) The recipient must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Eff. February 1, 1976;  
Readopted Eff. December 19, 1977;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1985.

#### **.0809 HEMATOLOGY/ONCOLOGY**

- (a) The licensed Hematologist/Oncologist may practice in any licensed hospital, state or nonprofit, community health programs; hematology/oncology treatment centers and hematology/oncology hospital units, diagnostic centers, research facilities, educational institutions, clinics and private physician offices in any county in the State of North Carolina, excluding federal facilities.
- (b) The Hematologist/Oncologist must submit an application and three letters of support from either a local health department, department of social services, hospital administrator or a public official to the Student Loan Program Office for approval of the practice.
- (c) The practitioner must specify a practice site and submit a health care plan, which demonstrates that the practitioner intends to serve the indigent, Medicare and/or Medicaid eligible population. The practitioner must agree to serve Medicare and Medicaid patients as well as the indigent and to accept payment under these programs (Titles XVIII and XIX of the Social Security Act) and to notify in writing the local social

services department, public health center and hospital director(s) of the location of the practice and of the agreement to accept referrals appropriate to the recipient's practice.

- (d) The Hematologist/Oncologist must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

Effective June 6, 2000

#### **.0810 MATHEMATICS AND SCIENCE**

- (a) Recipients majoring in these disciplines must work full-time in an accredited program for which financial assistance was granted by the Student Loan Program Office as teachers, consultants or computer science personnel in any public elementary, secondary, or postsecondary educational institution.
- (b) The recipient must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.
- (c) If the recipient does not teach in an educational institution, nor work as a computer science professional in a school system, the loans must be repaid in cash.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. December 10, 1983;  
Amended Eff. January 1, 1985.

#### **.0811 MEDICAL LABORATORY TECHNOLOGY**

- (a) The recipient may practice in any licensed hospital, state health facility or public health department excluding employment in a physician's office, private practice, research or federal facilities.
- (b) The recipient must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Readopted Eff. December 19, 1977;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1985.

#### **.0812 MEDICAL SOCIAL WORK**

- (a) The graduate school recipient may practice in any medical facility, facility for the mentally retarded or public health program, excluding research, private practice and federal facilities.
- (b) The recipient must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Readopted Eff. December 19, 1977;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1985.

**.0813 NURSE ANESTHESIA**

- (a) The recipient must practice in a licensed hospital.
- (b) The recipient must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Eff. February 1, 1976;  
Readopted Eff. December 19, 1977;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1985.

**.0814 NURSING, NURSING ADMINISTRATION, AND PUBLIC HEALTH NURSING**

- (a) In order to qualify for service forgiveness, a nursing recipient must be employed as a Registered Nurse by a health care delivery agency in North Carolina, (but not in a military facility) in a position which requires licensure by the N.C. Board of Nursing as a part of the position description. The nurse must work full-time as herein defined:
  - (1) Full-time employment for purposes of qualifying for cancellation of HSM debt means duty hours which are required by the employer as necessary to earn the salary and employee benefits equivalent to 40 duty hours per week.
  - (2) The nurse recipient must submit to the Student Loan Program Office a letter from an appropriate official of the employing agency certifying the official beginning (and ending) date(s) of full-time employment.
  - (3) A waiver may be requested for part-time employment for full-time service credit under both of the following conditions.
    - (A) be enrolled at least half-time in a higher degree nursing program, verified by the institution; and

- (B) be employed as a nurse and earn a salary, exclusive of any employee benefits, equal to 40 duty hours per week, verified by the employer.
- (b) With respect to a nursing recipient who received an HSM loan on or after July 1, 1990, the recipient may practice on a full-time basis in any health care delivery agency or teach in an accredited nurse education program in North Carolina.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984, for a Period of 120 Days to Expire on November 22, 1984; Statutory Authority G.S. 143-47.21 through 143-47.24; Eff. February 1, 1976; Readopted Eff. December 19, 1977; Transferred from 10NCAC3K Eff. January 1, 1983; Amended Eff. January 1, 1985. Amended Eff. March 16, 1989; Amended July 21, 1989, Effective July 1, 1989. Amended July 13, 1990, Effective July 1, 1990. Amended February 12, 1993, Effective July 1, 1993.

**.0815 NURSE-MIDWIFERY**

The certified nurse-midwife must practice in accordance with the North Carolina Midwifery Practice Act (G.S.-90-172.1-7) in any of the following settings:

- (a) a hospital, except a federal facility, that has labor and delivery services and which will grant hospital privileges and provide a consulting physician to the midwife; or
- (b) County Health Departments, Health Care Agencies or other agencies as determined by the Program Office; or
- (c) either a private setting with an obstetrician or if under a physician who is not an obstetrician, the physician must be actively practicing obstetrics and must have formal consultation arrangements with an obstetrician.
  - (1) If the nurse-midwife is employed by a hospital, County Health Department or Health Agency, the nurse-midwife must submit to the Program Office a letter from an appropriate official stating the beginning date of full-time employment for practice approval; or
  - (2) If the nurse-midwife elects to practice in a private setting, the nurse-midwife must submit to the Program Office each of the following for practice approval:
    - (A) A practice application. A description of a plan that demonstrates how the nurse-midwife and the consulting physician intend to serve the indigent patient population, in addition to other requested information. the nurse-midwife and the physician must agree to serve Medicaid patients and to accept payments under this Program (Title XIX of the Social Security Act)
    - (B) A letter of support from the hospital administrator. The hospital must have labor and delivery services, and hospital privileges must be granted to the nurse-midwife. If the nurse-midwife is practicing in a birthing center, the hospital administrator will indicate in the letter that the hospital will accept patients referred by the birthing center should complications arise.

- (C) A letter from the consulting physician, the beginning date of the practice, and the name and business address and telephone number of the consulting physician for the nurse-midwife.
- (d) Certification for cancellation of the loan.
  - (1) If employed by a hospital, County Health Department or Health Agency, the nurse-midwife must submit to the Program Office a letter from an appropriate official stating that the nurse-midwife did practice nurse-midwifery in accordance with the Midwifery Practice Act one full calendar year full-time; or
  - (2) If in a private setting, the nurse-midwife must submit to the Program Office an Affidavit of Service and a letter from the consulting physician stating that the nurse-midwife did practice nurse midwifery in accordance with the Midwifery Practice Act for one full calendar year full-time.

History Note: Amended Eff. March 16, 1989  
 Amended July 21, 1989, Effective July 1, 1989  
 Amended July 13, 1990, Effective July 1, 1990  
 Amended February 12, 1993, Effective July 1, 1993

**.0816 OCCUPATIONAL THERAPY**

- (a) The recipient may practice as an occupational therapist in any medical facility, state or county public institutions and agencies which provide services predominantly to such institutions, excluding research and federal facilities.
- (b) The recipient must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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 Eff. February 1, 1976;  
 Readopted Eff. December 19, 1977;  
 Transferred from 10NCAC3K Eff. January 1, 1983;  
 Amended Eff. January 1, 1983;  
 Amended Eff. January 1, 1985.  
 Amended Eff. July 1, 1990

**.0817 OCCUPATIONAL THERAPY ASSISTANT**

- (a) The recipient may practice as an occupational therapy assistant in any medical facility, state or county public institutions and agencies which provide services predominantly to such institutions which require certification by the American Occupational Therapy Certification Board as a part of the position description, excluding employment in a physician's office, private practice, research or federal facility.

- (b) The recipient must submit to the Student Loan Program Office a letter from the supervising registered occupational therapist stating the official beginning date of full-time employment.

History Note: Adopted February 12, 1993,  
Effective July 1, 1993

#### **.0818 PHARMACY**

- (a) The recipient may practice in:
  - (1) any rural or urban area where there is a shortage of retail pharmacists as determined by the Student Loan Program Office, taking into consideration the number of practitioners already in the area; or,
  - (2) any licensed hospitals or nursing homes within the state excluding federal facilities; or,
  - (3) any State or local public health department and nonprofit community primary care program.
- (b) If the practitioner proposes to practice in a rural or urban area as defined in Rule .0816 (a) (1):
  - (1) The practitioner must submit an application and three letters of support from either a local health department, department of social services, public official or supervisor to the Student Loan Program Office for approval of the practice.
  - (2) The practitioner must agree to serve the Medicare/Medicaid population and accept payment under these programs (Titles XVIII and XIX of the Social Security Act).
  - (3) The practitioner must submit to the Student Loan Program Office a letter from a prominent citizen of the community verifying the official beginning date of full-time employment.
- (c) If the practitioner proposes to practice in a medical facility as defined in Rule .0816 (a) (1) and (2), a letter must be submitted to the Student Loan Program Office from an official of that facility stating the official beginning date of full-time employment.

History Note: Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. February 1, 1976;  
Amended Eff. January 30, 1977;  
Readopted Eff. December 19, 1977;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1983;  
Adopted Eff. January 1, 1985.

#### **.0819 PHYSICAL THERAPY**

- (a) The recipient may practice as a physical therapist in any medical facility, state or county public institutions and agencies which provide services predominantly to such institutions, excluding employment in a physician's office, private practice, research or federal facilities.
- (b) The recipient must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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 Eff. February 1, 1976;  
 Readopted Eff. December 19, 1977;  
 Transferred from 10NCAC3K Eff. January 1, 1983;  
 Amended Eff. January 1, 1985.  
 Amended Eff. July 1, 1990.

**.0820 PHYSICAL THERAPY ASSISTING**

- (a) The recipient may practice as a physical therapy assistant in any medical facility, state or county public institutions and agencies which provide services predominantly to such institutions, excluding employment in a physician's office, private practice, research or federal facilities.
- (b) The recipient must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

History Note: Last Amended February 8, 1991.

**.0821 PHYSICIAN'S ASSISTANT**

- (a) The recipient may practice in:
  - (1) any private primary care physician's office located in any town, village or urban area where there is a shortage of primary care practitioners as designated by the Program Office or designees approved by the SEAA Board of Directors; or,
  - (2) any public or private licensed hospital or nursing home facility and any state, county or community sponsored medical facility in North Carolina, excluding research and federal facilities;
  - (3) any state or local public health department and non-profit community primary care program.
- (b) If the Physician's Assistant proposes to practice in a private primary care physician's office as defined in Rule .0811 (a) (1), the Physician's Assistant must submit:

- (1) an application and three letters of support from either a local health department, department of social services, public official or supervisor to the Student Loan Program office for approval of the practice.
  - (2) Documentation from the above that the primary care physician agrees to serve the Medicare/Medicaid population and accept payment under these programs (Titles XVII and XIX of the Social Security Act).
  - (3) to the Student Loan Program Office a letter from the employing primary care physician verifying the official beginning date of full-time employment.
- (c) If the Physician's Assistant proposes to practice in a medical facility as defined in Rule .0819 (a) (2) and (3), a letter must be submitted to the Student Loan Program Office from an official of that facility stating the official beginning date of full-time employment.

History Note: Effective July 1, 1990

**.0822 RADIOLOGICAL TECHNOLOGY** (Radiographer, Radiation Therapist, Nuclear Medicine Technologist Imaging Technologist and Diagnostic Medical Sonographer)

- (a) The licensed/certified technologist may practice in any licensed hospital, state health facility or public health department, cancer treatment centers and oncology hospital units, diagnostic centers, research facilities and educational institutions, clinics and private physician offices, excluding federal facilities.
- (b) The technologist must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

Effective February 29, 2000

**.0823 RESPIRATORY THERAPY**

- (a) The recipient may practice as a Registered Respiratory Therapist (RRT) in any medical facility, state or county public institutions and agencies which provide services predominantly to such institutions, excluding employment in a physician's office, private practice, research or federal facilities.
- (b) The recipient must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

**.0824 RESPIRATORY THERAPY TECHNICIAN**

- (a) The recipient may practice as a Certified Respiratory Therapy Technician (CRTT) in any medical facility, state or county public institutions and agencies which provide services predominantly to such institutions, excluding employment in a physician's office, private practice, research or federal facilities.
- (b) The recipient must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

History Note: Effective January 1999

**.0825 SPEECH/LANGUAGE PATHOLOGY**

- (a) The recipient may practice as a speech/language pathologist in any medical facility, state or county public institutions and agencies which provide services predominantly to such institutions, excluding employment in a physician's office, private practice, research or federal facilities.
- (b) The recipient must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full time employment.

History Note: Effective January, 1995

**.0826 VETERINARY MEDICINE**

- (a) The practitioner may practice in any community where there is a shortage of veterinarians who specialize in food animal and equine medicine. The Laboratory Animal Resources Veterinarian may conduct research in private industry.
- (b) The veterinarian who practices food animal and equine medicine must submit an application and letters of support from a county health department official and an Agricultural Extension Service agent to the Student Loan Program Office for practice approval. With respect to food animal and equine practice, the following shall apply as to time devoted: (1) solo practice: 15-25% the first year; 25-30% the second year; 30-35% the third year; 35-40 the fourth year; (2) for a partnership: 20-25% the first year; 25-35% the second year; 35-40% the third year; and 40-50% the fourth year; and (3) for a group associateship (two or more), fifty (50%) percent is required for each year of the loan recipient's obligation.
- (c) The Laboratory Animal Resources Veterinarian must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Eff. December 10, 1983;  
Amended Eff. January 1, 1985.  
Amended Eff. July 1, 1993

**.0827 GRADUATE SCHOOL LOANS**

- (a) The graduate school recipient may practice in any medical facility, facility for the mentally retarded or public health program excluding research, private practice and federal facilities.

- (b) The graduate school recipient may teach in any elementary, secondary, or postsecondary educational system that needs science or mathematics educators.
- (c) The recipient must submit to the Student Loan Program Office a letter from an appropriate official stating the official beginning date of full-time employment.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Eff. February 1, 1976;  
Readopted Eff. December 19, 1977;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1985.

#### **.0828 ALTERNATE SERVICE**

In addition to eligible practice assignments specified in the preceding Regulations under each field of study, a recipient may discharge the loan commitment through employment as a full-time salaried employee in a North Carolina State government sponsored program of health care.

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Readopted Eff. December 19, 1977;  
Amended Eff. February 9, 1978;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1983;  
Amended Eff. January 1, 1985;  
Amended Eff. July 1, 1993.

#### **.0829 CONCURRENT FUNDING AND PRACTICE OBLIGATION**

Recipients may be approved by the Program Office for concurrent practice for any periods of time for which they are fulfilling a service obligation other than that of the Health, Science and Mathematics Student Loan Program if such other service obligation is being performed in satisfaction of an agreement funded by a source other than the State of North Carolina.

History Note: Filed as a Temporary Adoption Eff. July 25, 1984;  
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Eff. April 23, 1979;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1983;  
Amended Eff. January 1, 1985;  
Amended July 21, 1989, Effective July 1, 1989.

## SECTION .0900 - CASH REPAYMENT

### .0901 REPAYMENT

Unless cancelled under rule .0701 of this Subchapter, loan recipients shall repay the loan with interest.

History Note: Statutory Authority G.S. 143-47.21 through 143-47.24;  
Eff. February 1, 1976;  
Readopted Eff. December 19, 1977;  
Transferred from 10NCAC3K Eff. January 1, 1983;  
Amended Eff. January 1, 1985.

### .0902 RATE OF INTEREST

- (a) The rate of interest will be four percent (4%) for all notes made on or after April 1, 1987.
- (b) Recipients whose original notes were negotiated prior to April 1, 1987 shall continue to be charged eight percent (8%) interest until they complete the program for which they received their original loans.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Eff. December 10, 1983;  
Amended Eff. January 1, 1985;  
Amended .0902 (b) February 14, 1992, Effective July 1, 1992.

### .0903 COMPUTATION OF INTEREST

- (a) Payments made on notes negotiated during the period June 18, 1965 to July 1, 1969 shall have interest computed beginning with the date of the loan.
- (b) For notes negotiated during the period July 2, 1969 to June 15, 1973, interest will be computed as of:
  - (1) withdrawal date from school or program; or
  - (2) the date upon which course work is completed for a degree or certificate, whichever applies.
- (c) For all loans negotiated after the date June 15, 1973, interest will be computed from the date the loan is made.

History Note: Filed as a Temporary Amendment Eff. July 25, 1984,  
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Eff. December 10, 1983;  
Amended Eff. January 1, 1985;  
Deleted .0903 (d) February 14, 1992, Effective July 1, 1992.

**.0904 CASH REPAYMENT/DELINQUENCY/DEFAULT**

- (a) If a recipient for whatever reason becomes ineligible to continue participation in the program, cash repayment (principal and interest) is due per the terms of the promissory note in either a:
  - (1) lump sum payment - the Program Office will provide the recipient with a Statement of Account; or
  - (2) installment payments - the Program Office will provide the recipient with a Repayment Schedule.
- (b) When the Program Office determines that the recipient will require installment payments, the Repayment Schedule shall provide that the rate of interest on the unpaid balance shall be determined by the placement of a recipient into one of the following categories:
  - (1) any recipient who did not complete all required academic coursework or postgraduate training and maintains a primary domicile and employment in this State shall pay an interest rate as established by the Board and stated on the promissory note;
  - (2) any recipient who successfully completes all required coursework or postgraduate training and maintains a primary domicile and employment in this State shall pay an interest rate as established by the Board and stated on the promissory note;
  - (3) any recipient who resides and is employed outside this State shall pay an interest rate as established by the Board and stated on the promissory note;
- (c) The recipient's payment will be credited first to the interest portion of the borrower's account and the remaining portion, if any, will be credited to the principal of the borrower's account. In the event of a default, a recipient's payment will be credited first to outstanding legal fees and the remaining portion applied consecutively to interest and principal.
- (d) Loan recipients with multiple loans that have different grace periods of 90 and 180 days must begin practice within 180 days, or cash repayment is required as stated in the promissory note of each loan awarded.
- (e) A recipient's account is past due and subject to penalties, if any, when the payment is not received within ten (10) days of the due date.
- (f) A delinquent account, as described in (e), is considered in default if it becomes 120 days delinquent and is subject to collection procedures indicent to such default.

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Eff. December 10, 1983;  
Amended Eff. January 1, 1985;  
Amended February 14, 1992, Effective July 1, 1992.

#### **.0905 MAXIMUM TIME FOR CASH REPAYMENT**

The maximum time which may be permitted for cash repayment, unless waived by the SEAA Board, shall be as follows:

- (a) Loan totals up to \$5,999.99 - three (3) years;
- (b) Loan totals from \$6,000.00 to \$19,999.99 - five (5) years; and
- (c) Loan totals over \$20,000.00 - seven (7) years.

History Note: Adopted July 13, 1990,  
Effective July 1, 1991.

#### **.0906 COLLECTION OF PAST DUE ACCOUNTS**

- (a) Garnishment of Wages - State Government Employees

After unsuccessful attempts have been made to collect past due accounts of State employees who are also loan recipients, the following actions will be taken:

- (1) Loan recipients who are also employees of the State of North Carolina or its political subdivisions will receive a written notice stating that full restitution of the amount owed is a condition of continued employment (Chapter 143, Article 59 of the North Carolina General Statutes).
- (2) Thirty (30) days or less after receipt of this notice, affected delinquent borrowers must make satisfactory arrangements with the Student Loan Program Office to repay the total amount owed by a specified time period.
- (3) If State employees with delinquent accounts do not make arrangements to repay their loan obligations in full, steps will be taken to terminate their employment as provided by statute unless the employees are pursuing administrative or judicial remedies.

- (b) Garnishment of Wages - Private Sector Employees

After unsuccessful attempts to collect past due accounts of delinquent borrowers who are employed in the private sector and located in North Carolina, the past due debt will be declared in default and transferred to the Office of the Attorney General at SEAA to seek settlement through the entry of a judgment whereby the effects of G.S. 105B-1 to 105B-5 may be employed in a judgment. The statute permits a court to garnish salaries and wages as a means of enforcing a judgment against a debtor owing a debt to SEAA.

(c) Set Off Debt Collection

The following actions will be taken against Student Loan Program "debtors" in an effort to collect delinquent accounts of fifty dollars (\$50) or more from loan recipients who are also North Carolina residents:

- (1) The Student Loan Program Office will submit the names of North Carolina delinquent loan recipients to the Department of Revenue pursuant to General Statutes 105-105A-2. The Program Office will request that the State Income Tax refunds be set aside for the total amount owed to the Student Loan Program.
- (2) "Debtor" is defined as "any individual owing money to or having a delinquent account with any claimant agency which obligation has no been adjudicated satisfactorily by court order, set aside by court order, or discharged in bankruptcy." As a general policy, delinquent accounts of ninety (90) days or less will not be submitted to the Department of Revenue.
- (3) Upon written notification from the Department of Revenue that a debtor is entitled to a refund, the Program Office will send written notification to the debtor and to the Department of Revenue asserting rights to the refund or any part thereof. Objections to the claim must be filed in writing with the Student Loan Program Office.
- (4) If a claim is contested, the Program Office will notify the Department of Revenue and indicate a date by which final determination of this claim might be reasonably expected.
- (5) The Program Office shall afford the delinquent borrow the right of appeal specified under G.S. 105-105A-2.
- (6) If the claim is paid or otherwise settled, the Student Loan Program Office will notify the Department of Revenue immediately so that the tax refund can be released.

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Eff. December 10, 1983;  
Amended Eff. January 1, 1985.

**.0907 SUIT FOR COLLECTION**

- (a) If it becomes necessary to refer a defaulted account to an attorney for legal action, the makers of the promissory note will be charged and additional amount or the cost of the litigation, including court costs and any attorney fees.
- (b) If it becomes necessary to refer a defaulted account to a collection agency or if legal action is brought by the collection agency, the makers of the promissory note will be charged the collection agency fee and/or any costs incurred for litigation, including attorney's fees.
- (c) When an account is delinquent for the time set forth in these rules, it shall be declared defaulted and referred to the Office of the Attorney General at the SEAA to seek the powers of the Courts of North Carolina to effect recovery.

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**.0908 ELIGIBILITY CRITERIA FOR REINSTATEMENT OF SERVICE OPTION**

Loan recipients who were ineligible to repay the loan through service and are currently repaying the loan by cash may become eligible for service under the following conditions:

- (a) Eligibility:
  - (1) A loan recipient's account must be in a current status with no past due payment outstanding.
  - (2) A loan recipient must hold a valid North Carolina license, if applicable.
  - (3) A loan recipient must submit to the Program Office appropriate practice information and the practice site or agency must be approved by the Program Office.
- (b) Repayment:
  - (1) Accrued Interest
 

If the loan recipient's account is in a current status and all current interest and all capitalized interest has not been paid, the recipient may cancel all current and capitalized interest either in cash or through service. If the loan recipient elects to cancel the interest through service, the outstanding interest amounts will be prorated based on the maximum loan amount awarded per year based on a one-year practice period.
  - (2) Principal

Loan recipients must work one year for each original loan awarded or any fraction thereof on the unpaid principal balance for a specific note, prorated on the unpaid balance for that note based on a one-year period.

**NOTE:** Service credit would be applied first to the outstanding current interest, capitalized interest on the original principal and then to the outstanding original principal amount.

History Note: Board Approved, Effective July 1, 1988.