RULES GOVERNING

THE PHYSICAL EDUCATION-COACHING
SCHOLARSHIP LOAN PROGRAM

A Program of the State of North Carolina
Administered by the State Education Assistance Authority
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PART I
SHORT TITLE, PURPOSE AND DEFINITIONS

.0100 Short Titles. The Rules Governing the Physical-Education-Coaching Scholarship Loan may hereinafter be cited by the State Education Assistance Authority, and referred to, as the “PEC Program Rules” or “these Rules”.

.0101 The Program and its Purpose. The Physical Education-Coaching Scholarship Loan Fund was established by the North Carolina General Assembly in 2005 to provide financial assistance, in the form of scholarship loans, to North Carolina students pursuing baccalaureate degrees to qualify to teach and coach in the public schools of the state. Students are selected by the Authority from nominations submitted by the Participating Institutions. In general, nominees must: (i) apply for the Program in accordance with these Rules; (ii) be enrolled or accepted for enrollment in an accredited teacher education program at any of the Participating Institutions in the state; and (iii) demonstrate a commitment to teach and coach in the Public Schools in rural or other counties in need of coaches. Funding for the Program is contingent each year upon appropriations made available to the State Education Assistance Authority by the General Assembly and the availability of cash repayments collected from Students who do not qualify for or complete loan forgiveness under Part IV of these Rules.

.0102 Definitions. Unless the context clearly indicates some other meaning, the following capitalized words and phrases shall have the corresponding meanings in these Rules:

(a) “Academic Progress” means the standard or standards by which a Participating Institution measures a student’s academic progress toward completion of the Teacher Education Program in which the Student is enrolled.

(b) “Academic Year” means a combination of school terms consisting of two semesters, two trimesters, or the equivalent thereof, beginning with the fall term of any year.

(c) “Administrative Agreement” means the agreement, in a form acceptable to the Authority, by which a Participating Institution agrees to participate in the Program and assist the Authority in the administration of the Program in compliance with applicable State laws and these Rules.
(d) “Authority” or “the SEAA” means the State Education Assistance Authority, a political subdivision of the State of North Carolina, created and enabled under Article 23 of Chapter 116 of the General Statutes.

(e) “Loan” or “Program Loan” means the financial aid provided to a Student under the Physical Education-Coaching Scholarship Loan Program for payment of the Student’s cost of attendance, or a portion thereof, for one Academic Year at a Participating Institution.

(f) “Participating Institution” means a State institution of higher education or a private institution of higher education located in the State that has an accredited teacher education program for students seeking to become certified teachers in North Carolina.

(g) “PEC Standards” means the academic standards for the Program established by the Authority in consultation with the Board of Governors of The University of North Carolina, as amended from time to time and set forth in Exhibit A to the Administrative Agreement.

(h) “Program” means the Physical Education-Coaching Scholarship Loan Program.

(i) “Promissory Note” means the legally enforceable agreement between a Student and the Authority which sets forth the terms and conditions under which the Authority advances funds to the Student for payment of the Student’s cost of attendance, or a portion thereof, at a Participating Institution and under which the Student repays the Loan in either service or cash.

(j) “Public School” means a North Carolina public school, including a charter school that is approved by the State, or a school operated by the United States government in North Carolina.

(k) “Qualified Position” means a position of full-time employment, as determined and verified by the employing entity, with coaching responsibilities in a Public School that is located in an area designated by the Authority as rural or otherwise in need of coaches.

(l) “Student” means the student who receives a Loan under the Program in accordance with these Rules.

(m)“Residence Manual” means the most current edition of A Manual to Assist the Public Institutions of North Carolina in the Matter of Student Residence Classification for Tuition Purposes containing the definitions of residency for tuition purposes as adopted from time to time by the Board of Governors of The University of North Carolina.

(n) “State” means the State of North Carolina.
(o) “Teacher Education Program” means the accredited bachelor’s degree program offered by a Participating Institution that qualifies a Student to teach in the Public Schools as a licensed teacher.
.0200 General Rule. An applicant for a Program Loan is eligible to be considered by a Participating Institution, if, as of the date of the application, the applicant:

(a) has complied with the application procedures set forth in Part III of these Rules;
(b) is enrolled, or accepted for enrollment, on a full-time basis in a Teacher Education Program at a Participating Institution;
(c) qualifies as a North Carolina resident for tuition purposes under G.S § 116-143.1 and the Residence Manual;
(d) meets or exceeds the PEC Standards;
(e) has complied with the registration requirements of the Military Selective Service Act or is exempt from the registration requirements; and
(f) is not in default, or does not owe a refund, under any federal or state loan or grant program.

.0201 Renewal Loans. A Student is eligible to receive a Loan for an Academic Year immediately following the Academic Year for which the Student previously received a Loan if, as of the date of application for a renewal Loan, the Student:

(a) has not received the maximum total Loan amount established by the Authority for the Program based on G.S. § 116-209.36 and the availability of funds in the Physical Education-Coaching Scholarship Loan Fund;
(b) is honoring the terms of the Student’s Promissory Note and remains otherwise eligible for a Loan under these Rules;
(c) is maintaining Academic Progress in the Teacher Education Program for which the Student received a Loan;
(d) if, the Student is scheduled to repeat any course, the repeated course is necessary in order for the Student to maintain Academic Progress in the Teacher Education Program and the repeated course does not constitute more than one-fourth of the academic credits for the semester, or equivalent term; and
(e) is not in default, or does not owe a refund, under any federal or state loan or grant program.
PART III
APPLICATION PROCEDURES; SELECTION OF STUDENTS AND LOAN APPROVAL

.0300 Application and Supporting Documentation.
(a) Application. An applicant for a Program Loan under the Program must sign and submit a completed application to the dean of the school of education at the Participating Institution at which the applicant is enrolled or accepted for enrollment on a form acceptable to the Participating Institution.
(b) Academic Year Covered by an Application for a Program Loan. An application for the Program Loan may be submitted for no more than one Academic Year at a time.
(c) Supporting Documentation. The Participating Institution or the Authority, as the case may be, may require an applicant to submit documentation or additional information in support of the applicant’s application or in order to substantiate information presented in the application before the Participating Institution considers the applicant for a Program Loan or before the Authority approves a Program Loan for disbursement under Rule .0305.
(d) Applications for Renewal Loans. A Student seeking a Program Loan to continue in the Teacher Education Program in the Academic Year immediately following the Academic Year for which the Student received a Loan must submit an application for a renewal Loan, in a form acceptable to the Participating Institution and in a manner consistent with the procedures set forth in this Rule .0300.
(e) Responsibility to Update an Application. If, at any time before an applicant is approved for a Program Loan under Rule .0305 of these Rules, any information presented on the applicant’s application changes, the applicant is responsible for notifying the Participating Institution of any such change.

.0301 Application Deadlines. The director of the Grants Training and Outreach Division of the SEAA is hereby authorized and directed to set the application deadlines for the Program for each Academic Year. An application for a Program Loan that is received after the applicable deadline will not be considered for a Loan.

.0302 Selection of Students.
(a) Nomination by Participating Institution. The dean of the school of education or other individual so authorized by the dean of education of the Participating Institution shall
nominate students for the Program from among those applicants who meet the eligibility requirements of Rule .0200 and submit timely applications under Rule .0301 based on the following criteria:

i. the PEC Standards;

ii. any priority for funding upperclassmen over entering freshmen and sophomores as may be established by the Authority from time to time under subsection (b) of this Rule .0302; and

iii. the Participating Institution’s assessment of an applicant’s intent to complete the Teacher Education Program in which enrolled, and upon graduation to work in a Qualified Position.

(b) Selection by the Authority. The Authority, acting through the appropriate division director, or such director’s designee, shall

i. establish and publish the PEC Standards as Exhibit A to the Administrative Agreement;

ii. establish any priority for funding upperclassmen over entering freshmen and sophomores as may be required under G.S. § 116-209.36 and based on the availability of funds in the Physical Education-Coaching Scholarship Loan Funds; and

iii. select recipients for Program Loans from the nominations submitted by the Participating Institutions.

.0303 Loan Amount. Each Loan shall be in the amount of Four Thousand Dollars ($4,000) for the Academic Year ending June 30, 2006, and for each Academic Year thereafter, in the amount established by the General Assembly or set by the appropriate division director of the Authority, or the executive director in the event that the appropriate division director is unavailable, based on the total appropriation for the Program.

.0304 Promissory Note. A Program Loan shall be evidenced by a Promissory Note, properly executed by the Student and the notary public who witnesses the Student’s signature. The Promissory Note shall include, *inter alia*, a provision by which the Student agrees to accept employment in a Qualified Position upon graduation from the Teacher Education Program for which the Loan was advanced.
.0305 **Loan Approval.** SEAA shall approve a Program Loan for disbursement to a Student if and only if:

(a) the Student is certified by the Participating Institution as eligible for the Program in accordance with these Rules;

(b) the Promissory Note is negotiated in accordance with Rule .0304;

(c) the Student has complied with these Rules, the terms of the Promissory Note and any Program procedures implemented by a Participating Institution or the Authority to facilitate the application process consistent with these Rules.

.0306 **Transfers Between Participating Institutions.** A Loan under the Program may be transferable from one Participating Institution to another Participating Institution provided that the Student is accepted for enrollment in the Teacher Education Program at the Participating Institution to which the Student is transferring and the Authority approves the transfer of the Loan.

.0307 **Loan Disbursement Procedures.**

(a) **Method of Disbursement.** The SEAA shall disburse the proceeds of a Loan by:

i. a check that is made payable to the Student, or that is made co-payable to the Student and the Participating Institution, and requires the personal endorsement or other written certification of the Student in order to be cashed or deposited in an account of the Student at a financial institution; or

ii. electronic funds transfer to an account maintained by the Participating Institution in accordance with the federal regulations governing programs of student financial assistance under the Higher Education Act of 1865, as amended, if authorized by the appropriate division director of the SEAA, or such director’s designee; or

iii. master check made payable to the Participating Institution for deposit in an account maintained by the Participating Institution in accordance with the federal regulations governing programs of student financial assistance under the Higher Education Act of 1865, as amended.

(b) **Roster Required.** In the case of disbursement under either (ii) or (iii) above, the electronic funds transfer or master check shall be accompanied by a roster identifying the Students and the Loan amount for each.

(c) **Refund Procedure.** Loan proceeds that are not disbursed to the Student shall be returned to SEAA within forty-five (45) days of the beginning date of the term for which the
proceeds were disbursed by electronic means or forty-five (45) days from the date of the check.

(d) **Student Certification.** The Student shall execute a certificate, in a form acceptable to the SEAA, acknowledging the Student’s receipt of the Loan proceeds and the purposes for which the Loan is made.

(e) The director of the Grants, Training and Outreach division of SEAA is hereby authorized to develop, adopt and implement such policies and procedures as may be necessary from time to time to disburse Loan funds in accordance with these Rules and applicable requirements of State law.

.0308 **Use of Loan Proceeds.** Program Loans shall be used only for payment of the cost of attendance at the Participating Institution as defined in Section 472 of the Higher Education Act of 1965, as amended (20 U.S.C. §1087ll).
PART IV
SCHOLARSHIP LOAN FORGIVENESS

.0400. Forgiveness through Service; General Rule. The SEAA shall forgive a Loan, and any interest accrued on such Loan under Rule .0502, if, within five years of graduation from a Participating School, exclusive of any authorized deferment for extenuating circumstances, the Student works in a Qualified Position for one full school year for each loan received, and the Student otherwise complies with these Regulations. The SEAA shall apply this Rule .0400 sequentially, forgiving each Program Loan in the order that it was made to the Student.

.0401. Eligibility for Forgiveness through Service. To be eligible for Loan Forgiveness, a Student must graduate with a bachelor’s degree from a Teacher Education Program of a Participating Institution and be qualified to coach in the Public Schools of North Carolina.

.0402. Procedure for Obtaining Service Forgiveness; Specific Employment Requirements.
(a) Notice of Intent to Seek Service Forgiveness. Within ninety (90) days after graduation from a Participating Institution, the Student shall notify the Authority, in writing and in a form acceptable to the Authority, of the Student’s intent to seek, or to forego, the opportunity for Loan forgiveness.
(b) Required Documentation. Within thirty (30) days of accepting a Qualified Position, the Student shall submit written verification of that employment to the SEAA in a form acceptable to the SEAA. Thereafter, the Student shall provide the SEAA with verification of employment in each ensuing year until all Program Loans are forgiven or the Student commences cash repayment under Rule .0501, whichever occurs first. Notwithstanding the foregoing provisions of this Rule .0402(b), the Authority reserves the right to conduct independent inquiries with regard to whether or not a Student’s employment qualifies for service forgiveness under Part IV of these Regulations.
(c) Full Year of Employment Required; Pro Rata Forgiveness Limited. One full year of employment per Program Loan is required for service forgiveness. Accordingly, the Authority shall forgive a Program Loan only after the Student has worked in a Qualified Position for one full school year. Pro rata forgiveness for any period of employment less than one school year is not permitted under these Rules.
(d) Certain Service Ineligible. Service as a tutor, substitute teacher, part-time teacher, lateral-entry teacher, nonpublic school or recreational league coaches, administrator or
service in a nonpublic school, community college or institution of higher education may not be used to discharge any amount of a Program Loan under Rule .0400.

(e) **Concurrent Employment Obligations.** The SEAA may forgive a Loan under Rule .0400 when the Student’s employment in a Qualified Position satisfies the requirements under Part IV of these Rules for forgiveness through service and such employment also fulfills the Student’s obligation to another education or scholarship program only upon finding that:

i. such other program is not funded by the State or any of its agencies or political subdivisions; and

ii. the Student’s obligations to the other program will not interfere with the Student’s ability to comply with these Rules.

.0403. Authorized Deferment for Extenuating Circumstances.

(a) **Procedure.** At any time after graduation from a Participating Institution, but no later than five years from such graduation, or at any time while enrolled at a Participating Institution, in the case of a Student who is no longer receiving a Program Loan, the Student may apply to the SEAA for an authorized deferment for extenuating circumstances. Such application for an authorized deferment shall contain documentation, satisfactory to the SEAA staff, of the reason for the deferment and specify the period of time, by beginning and ending dates, covered by the deferment request.

(b) **Extenuating Circumstances.** The SEAA may authorize a deferment if and only if one of the following extenuating circumstances is substantiated by the Student’s request:

i. personal illness for a period not to exceed twelve (12) months per each occurrence;

ii. family medical leave, which for the purpose of these Rules means maternity or paternity leave upon the birth or adoption of a child or leave to provide necessary care for a member of the Student’s immediate family, who is sick or disabled, in either case for a period not to exceed twelve (12) months per each occurrence;

iii. unemployment during any period of time not to exceed twelve (12) months per each occurrence during which the Student is also conscientiously seeking and unable to obtain employment that qualifies for service forgiveness under Part IV of these Rules; and
iv. full-time enrollment, immediately succeeding the Student’s enrollment in or graduation from a Participating Institution, at the same Participating Institution or any accredited postsecondary institution located within the United States for a period not to exceed twenty-four (24) months.

(c) **Effect of Authorized Deferment.** The Authority’s approval of a deferment under this Rule .0403 shall operate to extend the period of time during which the Student must complete the Student’s service under Rule .0400 by the amount of time for which the Authority authorized the deferment under subsection (b) of this Rule.

(d) **Interest Accrual.** Interest on the Program Loan shall continue to accrue during any period of authorized deferment.

**.0404. Reinstatement of Forgiveness through Service.**

(a) A Student who has been required to commence cash repayment of a Program Loan after graduation from a Participating Institution may apply for reinstatement of the opportunity for forgiveness through service provided that the Student is:

i. current with cash payments on the Loan;

ii. eligible for forgiveness through service under Rule .0401; and

iii. otherwise in compliance with these Rules.

(b) A Student for whom the opportunity for forgiveness is reinstated under this Rule .0404 may have the balance of the Student’s Loan forgiven under Rule .0400 provided that the Student complies with Rule .0402.

(c) If the SEAA reinstates the Student’s opportunity for forgiveness in accordance with this Rule .0404, the SEAA shall not refund any cash payments remitted prior to the reinstatement.
PART V
CASH REPAYMENT

.0500. Cash Repayment, Generally
When the SEAA determines that a Loan, or any portion thereof, cannot be forgiven under Part IV of the PEC Program Rules, the Student shall repay the Loan to the SEAA in cash in accordance with this Part V and the terms of the Promissory Note.

.0501. Commencement of Cash Repayment.
(a) After graduation from a Participating Institution. If the Student gram and graduates from the Participating Institution, the Student shall commence repayment of principal and interest no later than ninety (90) days following the earliest of:
   i. the graduation date, unless the Student has provided notice of intent to seek service forgiveness in accordance with Rule .0402(a).
   ii. the date on which the SEAA notifies the Student that the Student’s employment does not qualify for forgiveness of service under Part IV of these Rules;
   iii. the date on which the Student notifies the SEAA that the Student does not intend to seek forgiveness through service; or
   iv. the date on which the SEAA determines that the Student will not be able to satisfy the requirements of Part IV of these Rules with regard to any portion of the Student’s outstanding Loan.
(b) Upon termination of the Program Loan. If the Loan is terminated prior to the Student’s graduation, the Student shall commence cash repayment no later than ninety (90) days following the date on which the scholarship loan is terminated. For the purpose of this Rule .0501(b), a Loan is terminated upon the occurrence of any of the following events:
   i. the Student withdraws from the Teacher Education Program for which the Loan was advanced without requesting an authorized deferment under Rule .0403 within ninety (90) days of such withdrawal;
   ii. the Student declines further funding under the Program without requesting an authorized deferment under Rule .0403;
   iii. determination by the Participating Institution or the Authority that the Student is no longer eligible for a Program Loan under Part II of these Rules and the Student
does not request an authorized deferment under Rule .0403 within ninety (90) days of such determination; or

iv. the Student does not graduate with a bachelor’s degree from a Participating Institution.

.0502. Accrual of Interest. Each Program Loan shall bear and accrue interest at the rate set forth in the Promissory Note beginning ninety (90) days after graduation from the Teacher Education Program supported by the Loan or the date on which cash repayment is required under Rule .0501, whichever is earlier.

.0503. Repayment Period and Terms.

(a) Repayment Period; Monthly Installments. When a Program Loan matures for cash repayment under Part V of these Regulations, the Student shall be required to repay the Loan in each case according to a schedule of monthly installments established by the SEAA that provides for payment of the Loan in full within ten years of the date on which cash repayment is commenced pursuant to Rule .0501.

(b) Extension of the Repayment Period. The SEAA may, upon the request of a Student, grant an authorized deferment based on documentation of an extenuating circumstance under Rule .0403(b) and thereby extend the repayment period for a Loan by the period of time covered by the authorized deferment.

(c) Forbearance at the Discretion of the SEAA. If the Student documents extenuating financial circumstances for the SEAA, the SEAA may reduce the Student’s monthly payment temporarily and thereby extend the total period of time within which the Student will be required to repay the Loan in full.

(d) Maximum Term. In no event, however, shall an authorized deferment, series of authorized deferments, or a temporary reduction in payments under this Rule .0503 operate to extend the repayment term beyond fifteen (15) years from the date on which repayment commenced.
.0600. **Death of Student.**

(a) *While the Student is enrolled in a Teacher Education Program.* If a Student dies while the Student is enrolled in the Teacher Education Program supported by the Program Loan, the SEAA shall cancel the Loan and not pursue a claim against the Student’s estate.

(b) *After Graduation from a Teacher Education Program.* If a Student dies after graduating from a Teacher Education Program at a Participating Institution, the SEAA shall cancel the Loan and not pursue a claim against the Student’s estate provided that the Student was either eligible for or pursuing forgiveness through service under Part IV of these Rules.

(c) *After commencement of cash repayment.* If the Student is required to repay any Loan in cash under Part V of these Rules, the outstanding balance on the Loan may be recovered from the Student's estate or cancelled in the discretion of the appropriate division director of the Authority.

.0601. **Disability.**

The appropriate division director of the Authority is authorized to cancel an outstanding Program Loan upon a finding that the permanent disability of a Student creates the impossibility that the Student will be able to satisfy the requirements of Part IV of these Rules within five years of graduation from or termination of enrollment in the Teacher Education Program supported by the Loan. Such finding must be documented by the opinion of a doctor of medicine or osteopathy that is legally licensed to practice in a state on a form prescribed by the SEAA.
.0700. Administrative Agreement Required.

(a) In order to administer the Program on behalf of applicants for and Students receiving Program Loans, a Participating Institution must enter into an Administrative Agreement with the Authority by which the Participating Institution agrees to provide such assurances, certifications, performances, reports, information, and documents as may be required by the terms of the Administrative Agreement, these Rules, or upon request of the Authority.

(b) Term of Agreement. Each Administrative Agreement between the Authority and a Participating Institution, upon proper execution, shall remain in effect until it is terminated pursuant to the terms of the Agreement.

.0701. Responsibilities of Participating Institutions. In addition to the responsibilities set forth in Part III of these rules, each Participating Institution shall be responsible for:

(a) designating the dean of the school of education or other designee as the primary contact between the Participating Institution and the SEAA for the selection of applicants to receive Program Loans and charging the financial aid office with the primary responsibility for coordinating the awarding of Program Loans with the availability of other financial aid and ensuring the Participating Institution’s compliance with Part III of these Rules;

(b) providing for the dissemination of information about and applications for the Program as directed by the appropriate division director of the SEAA or such director’s designee;

(c) counseling applicants and Students about the Program as directed by the appropriate division director of the SEAA or such director’s designee;

(d) determining residency status for tuition purposes;

(e) informing potential applicants of the purpose of the Program and the requirements for Loan forgiveness under Part IV of these Rules;

(f) certifying to the Authority that an applicant meets the eligibility requirements for a Program Loan under Rule .0200 and, in the case of a renewal Loan, under Rule .0201; and
(g) submitting the roster of Students to facilitate approval of Program Loans by the SEAA under the Program in accordance with Rule .0302.

.0702. Audit Requirements. Each Participating Institution shall be subject to an annual examination by the State Auditor or the Authority pursuant to the audit process designated by the Authority to determine whether the Participating Institution has complied with the terms of the Administrative Agreement and the applicable provisions of these Rules.
PART VIII
PROGRAM ADMINISTRATION

.0800. The Authority as Program Administrator. The appropriate division director of the Authority is hereby authorized and directed to develop, adopt and implement such policies, procedures and forms as may be necessary from time to time in order for the Authority to administer the Program in accordance with these Rules and in compliance with applicable State law.

.0801. Interpretive Guidance. The executive director or the appropriate division director of the Authority may, from time to time, issue guidance for interpreting these Rules in the form of policy memoranda or questions and answers. The Authority shall disseminate such interpretive guidance to all Participating Institutions. All interpretive guidance shall have the force and effect of these Rules pursuant to Rule .0800.