



Rules Governing the North Carolina Principal Fellows Program

**A Program of the State of North Carolina
Administered by the University of North Carolina System Office, the North Carolina Principal
Fellows Commission, and the State Education Assistance Authority
3120 Poplarwood Court
Raleigh, NC 27604**

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PART I

Short Title, Purpose and Definitions

.0100. Short Title.

The Rules Governing the North Carolina Principal Fellows Program may hereinafter be cited and referred to as the "Program Rules."

.0101. The Program and its Purpose.

The North Carolina Principal Fellows Program (previously known as the "Transforming Principal Preparation Program") was established by the General Assembly in 2015 as a competitive grant program for institutions of higher education, as well as for-profit or nonprofit organizations, to elevate educators in North Carolina public schools by transforming the preparation of principals across the State. The institutions that are awarded grants under the Program ("Grant Recipient Institutions") must have an evidence-based plan for preparing school leaders who implement school leadership practices linked to increased student achievement.

In June, 2019, the General Assembly amended the North Carolina Principal Fellows Program (the "Program") to provide for financial assistance, in the form of forgivable loans, to the participants of those school leader preparation programs attending Grant Recipient Institutions. The Program is specifically designed to provide accelerated loan forgiveness for those participants who service their loans by working in a North Carolina public school identified as a "high-need school." Funding for the Program is contingent each year upon appropriations made available to the State Education Assistance Authority by the General Assembly.

.0102. Scope of Administration.

The Program is administered, as provided by statute, by the North Carolina Principal Fellows Commission (the "Commission") in collaboration with the State Education Assistance Authority (the "Authority"). The University of North Carolina System Office provides the office space and clerical support staff for the Program. The Commission is staffed and chaired by the Director of the North Carolina Principal Fellows Program.

The Commission shall select the Grant Recipient Institutions in accordance with the statutory application and selection criteria set forth in G.S. § 116-74.45 and notify the Authority acting as the fiscal agent for the Principal Fellows Trust Fund with respect to grants awarded by the Commission. Upon the Grant Recipient Institution's selection of the program participants, the Commission shall transfer the names of the program participants to the Authority. The

Authority shall perform all of the administrative functions necessary to implement the forgivable scholarship Loans as enumerated in G.S. § 116-74.44(c).

.0103. Definitions.

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

- (a) *"Academic Progress"* means the standard or standards by which a Grant Recipient Institution measures a Program Participant's academic progress towards the completion of the institution's School Leader Preparation Program, unless the Commission sets a higher standard for a Program Participant's academic progress, in which case the standard or standards set by the Commission shall govern.
- (b) *"Academic Year"* means a period of time beginning on July 1 and ending on June 30 in which a Program Participant is expected to complete the equivalent of at least two semesters or three trimesters of academic work as defined by the Grant Recipient Institution.
- (c) *"Authority"* means the State Education Assistance Authority, a political subdivision of the State of North Carolina, created and enabled under Part 1 of Article 23 of Chapter 116 of the North Carolina General Statutes.
- (d) *"Authorized Grant Recipient Official"* means the official who is authorized by the Grant Recipient Institution to act as the primary contact between the Grant Recipient Institution and the Authority and who has the primary responsibility for executing the institution's responsibilities as it relates to the Loans under the Program Rules.
- (e) *"Borrower"* means a Program Participant who receives a Loan under the Program in accordance with the Program Rules.
- (f) *"Commission"* means the North Carolina Principal Fellows Commission, established by the General Assembly under G.S. § 116-74.41(a).
- (g) *"Date of Disbursement"* means the date or dates on which the Grant Recipient Institution's financial aid office receives Loan funds from the Authority by electronic transfer.
- (h) *"Default"* means the failure to make payments on a Loan for a period of 180 days that results in the Loan account being 180 days or more past due.
- (i) *"Deferment"* means the postponement of repayment of the Loan or Loans authorized by the Authority for an established period of time as determined by the Authority pursuant to Rule .0509.
- (j) *"Director"* means the individual appointed by the North Carolina Principal Fellows Commission, in accordance with G.S. § 116-74.49, who is also the Chair of the Commission, and who has responsibility for, *inter alia*, staffing the Commission and administering the extracurricular enhancement activities of the Program.

- (k) *"Eligible Entity"* means an institution of higher education or a for-profit or nonprofit organization that has an evidence-based plan for preparing school leaders who implement school leadership practices linked to increased student achievement.
- (l) *"Forbearance"* means the temporary postponement or reduction of monthly payments because of a Program Participant's financial hardship that is authorized by the Authority pursuant to Rule .0510.
- (m) *"Full-time"* means, in the context of employment, employment that is verified as full-time by the employing entity and that meets the criteria set forth in Rule .0503(c) and in the context of education, academic attendance that is verified as full-time by the Grant Recipient Institution.
- (n) *"Grant Recipient Institution"* means an Eligible Entity that is selected by the Commission to receive an institutional grant to operate a School Leader Preparation Program, in accordance with G.S. § 116-74.46(a) and that has executed agreements with the UNC System Office, the Commission, and the Authority as required.
- (o) *"High-Need School"* means a Public School located in North Carolina that meets one or more of the following criteria: (i) is a school identified under Part A of Title I of the Elementary and Secondary Education Act of 1965, as amended; (ii) is a persistently low-achieving school, as identified by the North Carolina Department of Public Instruction for purposes of federal accountability; (iii) a middle school containing any of grades five through eight that feeds into a high school with less than a seventy-five percent (75%) four-year cohort graduation rate; or (iv) a high school with less than a seventy-five percent (75%) four-year cohort graduation rate.
- (p) *"Loan"* means the funds advanced to a Program Participant under the Program for payment of the Program Participant's cost of attendance, for one Academic Year or part of one Academic Year at a Grant Recipient Institution.
- (q) *"Loan Program"* means the forgivable scholarship loan program, the terms of which are set forth in G.S. § 116-74.48.
- (r) *"Minimum Academic Requirements"* means the required minimum standard of academic measures like GPA, test scores, and other factors, as determined annually by the Commission.
- (s) *"Participation Agreement"* means the agreement, in a form acceptable to the Authority, by which a Grant Recipient Institution agrees to participate in the Loan Program and assist the Authority with certain processes for the proper administration of the Loan Program in compliance with applicable State laws and the Program Rules.
- (t) *"Principal"* means the highest administrative official in a Public School building with primary responsibility for the instructional leadership, talent management, and organizational development of the school.
- (u) *"Program"* means the North Carolina Principal Fellows Program.

- (v) *"Program Administrators"* means the Authority, the Commission, and the UNC System Office, or any combination of them.
- (w) *"Program Participant"* means an individual who is awarded a forgivable Loan under the Program to pursue, on a full-time basis, a master's degree in school administration at a Grant Recipient Institution and who receives a Loan under the Program in accordance with the Program Rules.
- (x) *"Promissory Note"* means the legally enforceable agreement between a Program Participant and the Authority which sets forth the terms and conditions under which the Authority advances funds to the Program Participant in the form of a Loan, for payment of the Program Participant's cost of attendance in accordance with G.S. § 116-74.46, or a portion thereof, at a Grant Recipient Institution and under which the Program Participant repays the Loan in either service or cash.
- (y) *"Public School"* means an elementary or secondary school located in North Carolina that is operated by a local board of education, charter school board of directors, regional school board of directors, chancellor for a University of North Carolina laboratory school, an innovative school operator, or the United States Government.
- (z) *"Qualified Position"* means a position of Full-Time employment as a School Leader in a Public School that meets the criteria for Loan forgiveness established by the Commission and the Authority.
- (aa) *"State"* means the State of North Carolina.
- (bb) *"School Leader"* means an individual employed Full-time in a school leadership role who implements school leadership practices linked to increase student achievement at a Public School and is in a position identified by the Commission as qualifying for Loan forgiveness, including Principal or assistant principal.
- (cc) *"School Leader Preparation Program"* means a master's program of school administration leading to the awarding of a degree enabling the School Leader to sit for licensure, at a Grant Recipient Institution selected by the Commission.
- (dd) *"Trust Fund"* means the North Carolina Principal Fellows Trust Fund established pursuant to G.S. § 116-74.41B.
- (ee) *"UNC System Office"* means the University of North Carolina System Office.

PART II

Eligibility Requirements

.0200. Initial Loan Eligibility Requirements.

An applicant for a Loan is eligible to be considered for a Loan if the applicant:

- (a) Meets the initial eligibility requirements as set by the Commission;
- (b) Is certified by the Grant Recipient Institution as eligible to receive a Loan;
- (c) Is enrolled as a Full-time student in a School Leader Preparation Program at a Grant Recipient Institution;
- (d) Meets the Minimum Academic Requirements;
- (e) Executes a Promissory Note;
- (f) Is eligible to receive financial assistance under Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. § 1070, et seq.;
- (g) Is not in default, or does not owe a refund, under any State loan or grant program;
and
- (h) Agrees to work in a Qualified Position in North Carolina.

.0201. Renewal Loan Eligibility Requirements.

A Program Participant is eligible to receive a Loan for an Academic Year immediately following the Academic Year for which the Program Participant previously received a Loan if the Program Participant:

- (a) Is honoring the terms of the Program Participant's Promissory Note;
- (b) Meets the renewal eligibility requirements as set by the Commission;
- (c) Is making Academic Progress;
- (d) Has not exceeded the loan limits for the Program as set forth in G.S. § 116-74.48;
- (e) Has remained continuously enrolled in his or her School Leader Preparation Program at the Grant Recipient Institution and remains enrolled as a Full-time Student or transfers to a different School Leader Preparation Program and enrolls as a Full-time student in accordance with Rule .0406;
- (f) Participates in required Program activities, unless an exemption has been approved by the Director; and
- (g) Remains otherwise eligible for a Loan under the Program Rules.

PART III

Selection of Program Participants and Notification to the Authority

.0300. Selection of School Leader Preparation Program Participants.

The Grant Recipient Institutions shall select the Program Participants for its School Leader Preparation Programs in accordance with G.S. § 116-74.46(b)(1) and any standards set by the Commission.

.0301. Notification of Selection of Program Participants to the Authority.

After the selection of Program Participants, the Grant Recipient Institution shall promptly notify the Commission of the name of the Program Participants for the School Leader Preparation Programs. Thereafter, the Commission shall transfer the names of all School Leader Preparation Program Participants to the Authority.

Part IV

Loan Terms

.0400. Loan Amount.

Each Loan shall be in the amount established annually by the Authority based on available funds, the total appropriation for the Program, the prescribed statutory amount, and other financial aid received by the Program Participant. Annual Loan amounts shall not exceed \$20,000 per year for up to two years.

.0401. Maximum Aggregate Loan Amounts.

Maximum aggregate Loan amounts shall not exceed \$40,000 per Program Participant.

.0402. Use of Loan Proceeds.

Loans shall be used only for the Program Participant's cost of attendance and completion, associated with the Program Participant's enrollment in a School Leader Preparation Program at a Grant Recipient Institution, as determined by the Authority and the Commission in accordance with G.S. § 116-74.46(b)(4).

.0403. Time Limit.

Loans are approved only for one Academic Year at a time.

.0404. Loan Approval.

The Authority shall approve a Loan for disbursement to a Program Participant selected by the Grant Recipient Institution for the Program pursuant to Rule .0300 if:

- (a) The Program Participant is certified by the Commission as eligible for the Program in accordance with the Program Rules;
- (b) The Promissory Note is executed in accordance with the Program Rules; and
- (c) The Program Participant has complied with the Program Rules, the terms of the Promissory Note and any Program procedures implemented by the Program Administrators and the Grant Recipient Institution.

.0405. Promissory Note.

A Loan shall be evidenced by a Promissory Note, properly executed by the Program Participant in compliance with the procedures established by the Authority.

.0406. Transfers between School Leader Preparation Programs.

- (a) *Approval by the Director Required.* Any transfer by a Program Participant from one School Leader Preparation Program to another School Leader Preparation Program must be approved by the Director. A Program Participant may lose eligibility for a Loan under the Program if he or she transfers without the approval of the Director.
- (b) *Academic Progress.* The Director will not approve a transfer of a Program Participant's Loan from one School Leader Preparation Program to another School Leader Preparation Program unless the Program Participant is making Academic Progress.
- (c) *Promissory Note.* If the Program Participant transfers from one School Leader Preparation Program to another School Leader Preparation Program, all of the terms and conditions of the Program Participant's original Promissory Note remain in effect as if the Program Participant had not transferred to a different Grant Recipient Institution.

PART V

Repayment; Loan Forgiveness and Cash Repayment

.0500. Repayment; Generally.

A Program Participant must complete his or her School Leader Preparation Program, pass any applicable and required certification or licensure examination(s), have attended and completed all required Program activities unless an exemption has been approved by the Director, and remain in good standing with the Program to be eligible for Loan forgiveness. Loans that are not forgiven through employment in a Qualified Position must be repaid in cash. At all times during the repayment period, the Program Participant shall be (i) employed in a Qualified Position, (ii) making cash payments, or (iii) in a period of approved Deferment or Forbearance.

.0501. Interest Accrual.

Each Loan shall accrue interest at the rate set forth in the Promissory Note beginning ninety (90) days after graduation from the School Leader Preparation Program or if the Program Participant's loan is terminated, as defined in Rule .0507(d), ninety (90) days from the Program Participant's termination from his or her School Leader Preparation Program. Interest continues to accrue throughout the repayment period, including while the Program Participant is employed in a Qualified Position, while the Program Participant is making cash payments, and during any period of Deferment or Forbearance.

.0502. Repayment Period.

- (a) *Length for Service Repayment.* The repayment period for Loan forgiveness through service generally shall not exceed seven (7) years from the date of graduation from the School Leader Preparation Program.
- (b) *Length for Cash Repayment.* The repayment period for cash repayment generally shall not exceed ten 10 years from the date of graduation from the School Leader Preparation Program. Cash repayment shall begin no later than 27 months after graduation from the School Leader Preparation Program. If the Program Participant's loan is terminated, as defined in Rule .0507(d), the repayment period begins ninety (90) days from the Program Participant's termination from his or her School Leader Preparation Program.

.0503. Loan Forgiveness; General Rules.

Unless otherwise specified in the Program Participant's Promissory Note, the following rules apply to Loan forgiveness.

- (a) *Rate of Loan Forgiveness.*

1. Fifty-Percent of the total amount of the Loans will be forgiven for one year of Full-time employment as a School Leader in a Qualified Position at a Public School identified as a High-Need School.
 2. Twenty-Five Percent of the total amount of the Loans will be forgiven for one year of Full-time employment as a School Leader in a Qualified Position at a Public School not identified as a High-Need School.
 3. If a Public School identified as a High-need School becomes a Public School not identified as a High-need School while the Program Participant is employed in a Qualified Position at that school, the Loan will continue to be forgiven at the rate for employment in a Public School Identified as a High-need School.
 4. Employment for less than twelve (12) months as a School Leader in a Qualified Position may qualify for a period of Loan forgiveness at a rate determined by the Authority.
 5. If within the same Academic Year, the Program Participant is employed at both a Public School identified as a High-need School and a Public School Not Identified as a High-need School, the rate of loan forgiveness will be based on the rate applied to service at a High-need School.
- (b) *Sequentially.* Loans will be forgiven sequentially; with each Loan being forgiven in the order that it was made to the Program Participant.
- (c) *Full-Time Employment as a School Leader.* Full-time employment as a School Leader means employment pursuant to a contract with the governing body of the Public School under which the Program Participant serves as a School Leader, with a focus on implementing school leadership practices linked to increased student achievement, on a Full-Time basis for the entire contract period, as defined by such governing body, and earns the salary and employment benefits equivalent to 40 hours per week.
- (d) *Central Office Promotion.* A Program Participant who has been employed in an eligible School Leader position and who owing to extraordinary circumstances, is promoted to a system central office leadership position, may continue to be eligible for Loan forgiveness if the central office position is determined to facilitate effective school leadership and administration. Such a determination shall be administratively rendered by the Authority, upon written recommendation of the Commission.
- (e) *Part-Time Employment.* Part-time employment does not qualify for Loan forgiveness.
- (f) *Public School Exclusive.* Employment at nonpublic schools or postsecondary institutions does not qualify for Loan forgiveness.

.0504. Loan Forgiveness; Procedures and Specific Employment Requirements.

- (a) *Notice of Intent to Seek Loan Forgiveness.* Within ninety (90) days after graduation from a School Leader Preparation Program, the Program Participant shall notify the

Authority, in a form acceptable to the Authority, of the Program Participant's intent to repay the Loan or Loans in cash or seek Loan forgiveness through employment in a Qualified Position.

- (b) *Submission and Approval of Program Participants Loan Forgiveness Application.* A Program Participant must complete a Program Participant loan forgiveness application in a format acceptable to the Authority prior to the date the Loan enters repayment in order to avoid being billed for monthly cash payments. A Program Participant must receive approval, from the Authority, that the employment for which the Program Participant seeks forgiveness meets the standards for a Qualified Position in order for the Authority to suspend payments for the year of qualifying employment.
- (c) *Required Documentation.* Within thirty (30) days of beginning employment in a Qualified Position, the Program Participant shall submit written verification of that employment to the Authority in a format acceptable to the Authority. If the Program Participant changes employment, he or she shall provide the Authority with verification of employment in each subsequent Qualified Position until all Loans are forgiven or the Program Participant commences cash repayment, whichever occurs first. The Authority reserves the right to conduct independent inquiries with regard to whether or not a Program Participant's employment qualifies for Loan forgiveness under the Program Rules.
- (d) *Concurrent Employment Obligations.* A Program Participant's employment is not eligible for Loan forgiveness if said employment is the basis for loan forgiveness for any other State-funded program administered by the Authority.

.0505. Loan Forgiveness; Reinstatement.

- (a) A Program Participant who is repaying the Loan or Loans in cash may apply for reinstatement of the opportunity for Loan forgiveness provided that the Program Participant is still eligible for Loan forgiveness under the terms of his or her Promissory Note.
- (b) A Program Participant for whom the opportunity for Loan forgiveness is reinstated may have the balance of his or her Loan or Loans forgiven.
- (c) If the Authority reinstates the Program Participant's opportunity for Loan forgiveness, the Authority shall not refund any cash payments remitted prior to the reinstatement.

.0506. Cash Repayment, Generally.

When the Authority determines that a Loan cannot be forgiven under the Program Rules, the Program Participant shall repay the principal and all accrued interest to the Authority in cash in accordance with the Program Rules and the terms of the Promissory Note.

.0507. Cash Repayment; Commencement.

- (a) *Length for Cash Repayment.* The repayment period for cash repayment generally shall not exceed ten (10) years. The repayment period may be less than ten (10) years depending on the Program Participant's School Leader Preparation Program and the amount of the Program Participant's Loan or Loans.
- (b) *Early Repayment.* If the Program Participant's loan is terminated, as defined in Rule .0507(d), the repayment period begins ninety (90) days from the Program Participant's termination from his or her School Leader Preparation Program.
- (c) *After Graduation from the School Leader Preparation Program.* If the Program Participant graduates from the School Leader Preparation Program, he or she shall commence cash repayment of the Loan or Loans no later than twenty-seven (27) months after graduation, unless the Program Participant is employed in a Qualified Position.
- (d) *Termination of the Loan or Loans.* If a Loan is terminated before the Program Participant graduates from the School Leader Preparation Program, the Program Participant shall commence cash repayment beginning ninety days (90) days from the date on which the Loan or Loans are terminated. A Loan is terminated upon the occurrence of any of the following events:
 - 1. The date of withdrawal from the School Leader Preparation Program, unless the Program Participant transfers, with the permission of the Director, to a different Grant Recipient institution with an approved School Leader Preparation Program within ninety (90) days from the withdrawal date;
 - 2. The date the Commission or the Authority determine that the Program Participant has failed to meet the standards set by the Commission;
 - 3. The date the Commission or the Authority determine that the Program Participant is no longer eligible under the Program Rules;
 - 4. The date of notice to the Authority from the Program Participant that the Program Participant does not intend to seek Loan forgiveness through employment in a Qualified Position; or
 - 5. The date the Commission or the Authority determines that the Program Participant does not intend to seek Loan forgiveness through employment in a Qualified Position.

.0508. Cash Repayment Period and Terms.

- (a) *Monthly Installments.* The Program Participant shall repay the Loan or Loans according to a schedule of monthly installments established by the Authority that provides for repayment of the Loan or Loans in full within ten (10) years or less depending on the

amount borrowed and the number of years prescribed for the Program Participant's School Leader Preparation Program as set out in the applicable Promissory Note.

- (b) *Application of Loan Payments.* Cash payments will be applied first to fees, including collection fees incurred in the event the Program Participant is in Default, attorney's fees, and court costs and other fees that are permitted by State and federal law and are necessary for the collection of any amount of the Loan not paid when due, if any, then to accrued interest, and the remainder to principal.

.0509. Deferment.

- (a) *Procedure.* A Program Participant may apply for a Deferment in a manner approved by the Authority.
- (b) *Types of Deferment.* The Authority may authorize a Deferment if one of the following circumstances is substantiated by the Program Participant's request:
1. Personal illness for a period of time not to exceed twelve (12) months per each occurrence;
 2. Family medical leave, which means Parental leave upon the birth or adoption of a child, or leave to provide necessary care for a member of the Program Participant's immediate family who is sick or disabled, in either case for a period of time not to exceed twelve (12) months per each occurrence;
 3. Unemployment for a period of time not to exceed twenty-four (24) months during which the Program Participant is conscientiously seeking and unable to obtain employment;
 4. A member of the National Guard or a reserve component who is ordered to report for military service as that term is defined in 50 § U.S.C. 3911(2);
 5. Residing in or employed in an area that is a disaster area as that term is defined in 42 U.S.C. § 5204(2); or
 6. Any other reason that the Authority finds is consistent with the purposes and goals of the Program for a period of time not to exceed twenty-four (24) months.
- (c) *Effect of Deferment.* The Authority's approval of a Deferment may extend the repayment period by the amount of time for which the Authority authorized the Deferment.
- (d) *Interest Accrual.* Interest on all Loans shall continue to accrue during all periods of Deferment.

.0510. Forbearance.

- (a) *Procedure.* A Program Participant may apply to the Authority for a Forbearance for intervals of time not to exceed an aggregate of twenty-four (24) months in a manner approved by the Authority.

- (b) *Effect of Forbearance.* The Authority's approval of a Forbearance may extend the Program Participant's repayment period.
- (c) *Interest Accrual.* Interest on all Loans shall continue to accrue during all periods of Forbearance.

.0511. Cash Repayment; Default.

- (a) *Declaration of Default.* In the event of the Program Participant's Default under the terms of his or her Promissory Note, the Authority may declare the entire unpaid balance of principal and interest immediately due and payable. Default shall preclude the Program Participant from receiving additional Loans under the Program or any other program administered by the Authority. Default may occur at any time after the Date of Disbursement.
- (b) *Consequences of Default.* The Authority may disclose to credit bureau organizations that the Program Participant has defaulted on the Loan and may obtain credit reports on the Program Participant. Defaulted Loans reported to credit bureaus, may adversely affect a Program Participant's credit rating. The Authority will pursue all available means of collection under North Carolina law, including without limitation, setoff of State income tax refunds, wage garnishment, collection under the State Employee Debt Collection Act, referral to the North Carolina Attorney General's Office for collection, and referral to external collection agencies.
- (c) *Collection Fees Owed.* In the event of the Program Participant's Default under the terms of his or her Promissory Note, the Program Participant will be responsible for payment of all collection fees that may be incurred by the Authority for the use of the external collection agencies.

PART VI

Loan Cancellation Due to Death or Disability

.0600. Death of Program Participant.

- (a) *While the Program Participant is enrolled in a Grant Recipient Institution.* If a Program Participant dies while the Program Participant is enrolled in a School Leader Preparation Program supported by the Loan or Loans, the Commission will notify the Authority and the Authority shall cancel the Loan or Loans and not pursue a claim against the Program Participant's estate.
- (b) *While in a Qualified Position.* If a Program Participant dies while employed in a Qualified Position and the Commission makes a finding that it is therefore impossible for the Program Participant to repay the Loan, the Authority shall cancel the Loan or Loans and not pursue a claim against the Program Participant's estate.
- (c) *While in Cash Repayment.* If the Program Participant is in cash repayment, the outstanding balance on the Loan or Loans may be recovered from the Program Participant's estate or cancelled at the discretion of the Authority.

.0601. Disability.

The Authority is authorized to forgive the Program Participant's Loan or Loans upon a finding by the Commission that the Program Participant cannot fulfill requirements for Loan forgiveness or cash repayment because of the Program Participant's permanent disability, in accordance with G.S. § 116-74.48(c). This finding must be documented by a doctor of medicine or osteopathy that is legally licensed to practice in a state of the United States.

PART VII

Grant Recipient Institutions' Responsibilities for Loan Program

.0700. Participation Agreement Required.

In order to participate in the Program, a Grant Recipient Institution must document its commitment to and capacity for carrying out its responsibilities relative to the Loan Program by entering into a Participation Agreement with the Authority.

.0701. Responsibilities of Grant Recipient Institutions in Forgivable Loan Program.

An Institution shall be responsible for:

- (a) Designating an Authorized Grant Recipient Official as the primary contact between the Grant Recipient Institution and the Authority and charging that person with the primary responsibility for executing the Grant Recipient Institution's responsibilities as it relates to the Loans under the Program Rules;
- (b) Complying with the Loan disbursement procedures;
- (c) Complying with the refund procedures; and
- (d) Certifying to the Commission and the Authority that an applicant meets the eligibility requirements for a Loan under the Program Rules.

.0702. Loan Disbursement Procedures.

- (a) *Method of Disbursement.* The Authority shall disburse the proceeds of the Loan by electronic funds transfer based on information provided by the Commission and after the execution of the Promissory Note. Upon receipt of the Loan funds, the Grant Recipient Institution shall deposit the funds into a separate general ledger account within the Grant Recipient Institution's accounting system identified as the "Principal Fellows Program Participants Account."
- (b) *Roster Required.* A roster identifying the Program Participants and the Loan amount for each Program Participant will be sent to the Grant Recipient Institution at the time of the electronic funds transfer.
- (c) *Timing of Disbursements.* Disbursements to the Grant Recipient Institution may be on a semester basis.
- (d) *Posting of Disbursements.* The Grant Recipient Institution shall post the Loan amount to each Program Participant's account within ten (10) days after the receipt of the roster or within ten (10) days after the beginning date of the term for which the proceeds of the Loan were disbursed, whichever is later.

- (e) *Refund Procedure.* Loan funds that are not disbursed to the Program Participant or are adjusted due to eligibility or enrollment changes shall be returned to the Authority within sixty (60) days of the date the determination is made that a change in enrollment or eligibility will result in the need for a return of funds. In addition, Grant Recipient Institutions are responsible for fully reconciling the accuracy of disbursements made in each Academic Year under the Program Rules. A Grant Recipient Institution shall return any State funds owed from the prior Academic Year to the Authority by September 1.
- (f) *Certification of Receipts.* The Grant Recipient Institution shall certify the Program Participant's eligibility for the Program and certify that Loan funds received by electronic funds transfer have been credited to the Program Participant's account.

.0703. Audit Requirements.

A Grant Recipient Institution shall be subject to examination by the Authority, the UNC System Office, and audit by the State Auditor to determine, among other things, whether the Grant Recipient Institution has complied with the terms of the Participation Agreement, the Program Rules, and all applicable laws and regulations.

.0704. Inspection of Records.

Each Grant Recipient Institution shall make all Program records available to the Authority, the UNC System Office, and the State Auditor for inspection upon request. All Program records must be retained by the Grant Recipient Institution for a period of five years from the close of the Grant Recipient Institution's fiscal year or until all review findings and audit exceptions have been resolved, whichever is later.

.0705. Refund of Loan Funds.

Grant Recipient Institutions shall be responsible for the return of State funds for Program Participants who are deemed ineligible under the Act and the Program Rules and for withdrawals and enrollment adjustments in accordance with Rule .0702(e) and the Authority's policies for return of funds for State-funded assistance programs.

.0706. Continuing Institutional Eligibility of Approved Institutions.

If a review or audit by the Authority or the State Auditor documents violations of the Act or Program Rules, the Grant Recipient Institution may be required to remedy those violations through the return of State funds and changes in procedures at the Grant Recipient Institution. If the Grant Recipient Institution's remedy does not, in the opinion of the Authority, constitute immediate and satisfactory action, the Authority may withhold disbursement of Program funds and/or withdraw approval to participate in the Program.

Part VIII

Program Administration

.0800. Program Administrators.

The Authority, in consultation with the other Program Administrators, is authorized and directed to develop, adopt and implement such policies, procedures and forms as necessary from time to time in order for the Authority to administer the Program in accordance with the Program Rules and in compliance with applicable State law.

.0801. Interpretive Guidance.

The Authority may, from time to time, issue guidance for interpreting the Program Rules in the form of policy memoranda or questions and answers. The Authority shall disseminate such interpretive guidance to the Commission and all Grant Recipient Institutions. All interpretive guidance shall have the force and effect of the Program Rules.

Statutory Authority: Article 5C of Chapter 116 of the North Carolina General Statutes.

I, Andrea Poole, Executive Director and Secretary of the Board of Directors of the State Education Assistance Authority, DO HEREBY CERTIFY that the foregoing is a true and exact copy of the Rules Governing the North Carolina Principal Fellows Program, as amended effective April 3, 2023, beginning with the 2023-2024 academic year, adopted by the Board of Directors of the Authority on April 3, 2023, and as approved as final pursuant to the authority delegated to me; these Rules are in full force and effect.

WITNESS my hand and seal of the Authority, this the 11th day of April, 2023.



Andrea Poole

Executive Director and Secretary of the Board of Directors

