



Rules Governing the North Carolina Need-Based Scholarship Program

A Program of the State of North Carolina
Administered by 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 Need-Based Scholarship Program may hereinafter be cited as the “Program Rules.”

.0101. Purpose and Scope.

The Need-Based Scholarships for Students Attending Private Institutions of Higher Education Program, also known as the North Carolina Need-Based Scholarship Program, was established by the 2011 General Assembly to provide need-based scholarships for North Carolina students attending private institutions of higher education. Each Approved Institution plays a role in administering the Program on behalf of the students that it enrolls. Funds for the support of the Program are contingent each year upon appropriations made available to the Authority by the General Assembly. The Authority administers the Program as directed by the General Assembly.

.0102. 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 Year*” is defined in G.S. § 116-280(1) and means a period of time in which a student is expected to complete the equivalent of at least two semesters’ or three quarters’ academic work.
- (b) “*Abode*” means the place where a person actually lives, whether temporarily or permanently.
- (c) “*Act*” means Article 34 of Chapter 116 of the North Carolina General Statutes, any revision or extension thereof, and any subsequent budget or appropriations act affecting the Program.
- (d) “*Approved Institution*” means an Eligible Private Postsecondary Institution as defined in G.S. § 116-280(3) that has executed a Participation Agreement accepted by the Authority.
- (e) “*Armed Forces*” means the United States Air Force, Army, Coast Guard, Marine Corps, and Navy; the North Carolina National Guard; and any reserved component of the foregoing.
- (f) “*Authority*” means the State Education Assistance Authority, a political subdivision of the State, created under Part 1 of Article 23 of Chapter 116 of the North Carolina General Statutes.

- (g) *“Authorized School Official”* means the person who is designated by the Approved Institution as the administrator for the CFI Grant System.
- (h) *“Central Processing System”* means the United States Department of Education facility that processes the FAFSA, determines a student's eligibility for aid, and conducts a series of quality control and eligibility checks on the FAFSA data.
- (i) *“CFI Grant System”* means the secure website maintained by the Foundation for Approved Institutions to review and certify student eligibility for State-funded scholarships and grants.
- (j) *“Cost of Attendance”* means a student’s total cost of attending a postsecondary institution as set forth in Section 472 of the Higher Education Act.
- (k) *“Eligible Private Postsecondary Institution”* is defined in G.S. § 116-280(3) and means a school that is any of the following:
1. A nonprofit postsecondary educational institution with a main permanent campus located in this State that is not owned or operated by the State of North Carolina or by an agency or political subdivision of the State or by any combination thereof that satisfies all of the following:
 - a. Is accredited by the Southern Association of Colleges and Schools under the standards of the College Delegate Assembly of the Association or by the New England Association of Schools and Colleges through its Commission on Institutions of Higher Education.
 - b. Awards a postsecondary degree as defined in G.S. § 116-15.
 2. A postsecondary institution owned or operated by a hospital authority as defined in G.S. § 131E-16(14) or school of nursing affiliated with a nonprofit postsecondary educational institution as defined in .0102(k)(1) above.
- (l) *“Expected Family Contribution”* means the amount, as calculated under the Federal Methodology, that a student and the student’s spouse or family are expected to contribute towards the student’s Cost of Attendance for an Academic Year.
- (m) *“FAFSA”* means the Free Application for Federal Student Aid.
- (n) *“Federal Methodology”* means the need analysis formula mandated by the Higher Education Act that determines a student’s Expected Family Contribution.

- (o) *“Foundation”* means College Foundation, Inc., acting as an agent of the Authority.
- (p) *“Higher Education Act”* means Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. § 1070, *et seq.*
- (q) *“Institutional Student Information Report”* means an electronic output document generated by the Central Processing System that summarizes information provided on a student’s FAFSA.
- (r) *“Main Permanent Campus”* is defined in G.S. § 116-280(4) and means a campus owned by the Eligible Private Postsecondary Institution that provides permanent on-premises housing, food services, and classrooms with full-time faculty members and administration that engages in postsecondary degree activity as defined by G.S. § 116-15.
- (s) *“Matriculated Status”* is defined in G.S. § 116-280(5) and means being recognized as a student in a defined program of study leading to a degree, diploma or certificate at an Eligible Private Postsecondary Institution.
- (t) *“Participation Agreement”* means the agreement, in a form acceptable to the Authority, by which an Approved Institution agrees to administer the Program in compliance with the Act and the Program Rules on behalf of the students at the Approved Institution.
- (u) *“Payment Schedule”* means the schedule determined and disseminated by the Authority that sets forth the amount of Scholarships to be paid to students.
- (v) *“Program”* means the North Carolina Need-Based Scholarship Program.
- (w) *“Scholarship”* is defined in G.S. § 116-280(6) and means the scholarship for education awarded under the Program.
- (x) *“State”* means the State of North Carolina.
- (y) *“State Auditor”* means the Office of the Auditor of the State of North Carolina.
- (z) *“State Funded Need-Based Financial Aid Programs”* means financial aid programs for postsecondary education funded by the State as those programs are identified in G.S. § 116-209.19A.
- (aa) *“Veteran”* means a person who served active duty for not less than ninety (90) days in the Armed Forces, the Commissioned Corps of the U.S. Public Health Service, or the National Oceanic and Atmospheric Administration and who was discharged or released from service under conditions other than dishonorable.

(bb) *“Waiver”* means a waiver granted by the Approved Institution, pursuant to the Approved Institution’s policies and procedures implementing the waiver provision, upon application by the student, that allows the student to receive a scholarship for the equivalent of one additional full-time academic semester above the maximum semester limitations set forth in G.S. § 116-281.1(a), if the student demonstrates that any of the following have substantially disrupted or interrupted the student’s pursuit of a baccalaureate degree: (i) a military service obligation; (ii) serious medical debilitation, (iii) a short-term or long-term disability, or (iv) other extraordinary hardship.

Part II

Student Eligibility Requirements

.0200. Eligibility Requirements.

Student eligibility is determined annually. A student qualifies to receive a Scholarship if the student:

- (a) Is one of the following: (i) a legal resident of North Carolina and a North Carolina resident for tuition purposes under G.S. §116-143.1; (ii) a Veteran with his or her Abode located in North Carolina who provides a letter of intent to the Veteran's Approved Institution of the Veteran's intent to establish residency in North Carolina; (iii) an active duty member of the Armed Forces provided the member of the Armed Forces is abiding in this State incident to active military duty in this State; (iv) a dependent relative of a Veteran, who is abiding in North Carolina while sharing an abode with the Veteran, who provides the student's Approved Institution a letter of intent to establish residency in North Carolina; or (v) a dependent relative of an active duty member of the Armed Forces who is abiding in North Carolina incident to active military duty while sharing an abode with the active duty member and provided that, if a dependent relative of an active duty member of the Armed Forces is reassigned outside North Carolina, the student will remain eligible if, at the time the dependent relative applies for admission to the Approved Institution, the dependent relative meets both of the following:
 - 1. Is enrolled in a North Carolina high school; and
 - 2. Upon admission to the Approved Institution, enrolls no later than the fall semester in the Academic Year immediately following admission and remains continuously enrolled;
- (b) Has an Expected Family Contribution under the Federal Methodology that does not exceed an amount set by the Authority pursuant to the Act;
- (c) Meets all of the eligibility requirements for a federal Pell Grant, with the exception of the Expected Family Contribution;
- (d) Is admitted, enrolled and classified at an Approved Institution as an undergraduate student in a Matriculated Status;
- (e) Is enrolled for no less than the minimum per term credit hours as defined by the applicable Payment Schedule;

- (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;
- (h) Has not received a Scholarship from the Program or a scholarship or grant from any combination of the other State Funded Need-Based Financial Aid Programs for more than ten (10) full-time academic semesters, or the equivalent if enrolled part-time, or if the student is enrolled in a program of study officially designated by the Approved Institution as a five-year degree program, twelve (12) full-time academic semesters, or the equivalent if enrolled part-time, unless the Approved Institution has granted the student a Waiver for one additional equivalent full-time academic semester; and
- (i) Is certified on the CFI Grant System by the Approved Institution as eligible to receive a Scholarship.

Part III

Institutional Requirements; Amount of Scholarship and Refund Procedures

.0300. General Responsibilities of Approved Institutions.

An Approved Institution shall be responsible for:

- (a) Executing a Participation Agreement;
- (b) Reviewing all eligibility criteria for each student applicant in a Matriculated Status indicated on the CFI Grant System and certifying to the Authority that students meet the eligibility requirements for a Scholarship under the Act and the Program Rules; and
- (c) Complying with the Act and the Program Rules.

.0301. Participation Agreement Required.

To participate in the Program, the Approved Institution shall sign a Participation Agreement with the Authority. Each Participation Agreement between the Authority and an Approved Institution, upon proper execution, shall remain in effect until it is terminated pursuant to the terms of the Participation Agreement.

.0302. Approved Institutions Owned or Operated by a Hospital Authority.

Approved Institutions that are owned or operated by a hospital authority as defined in G.S. § 131E-16(14) shall provide the Authority with owner verification from said hospital authority and promptly report to the Authority any change in ownership.

.0303. Schools of Nursing Affiliated with a Nonprofit Postsecondary Institution.

Approved Institutions that are schools of nursing affiliated with nonprofit postsecondary institutions as defined in G.S. § 116-280(3)b shall provide the Authority with verification of said affiliation from the relevant nonprofit postsecondary institution and promptly report to the Authority any subsequent change in said affiliation.

.0304. Amount of Scholarships.

The amount of the Scholarships shall be determined annually by the Authority based on the funds available, the sum appropriated by the General Assembly for the Program, the student's enrollment

status and Expected Family Contribution, consistent with the Federal Methodology. The Authority shall establish and disseminate an annual Payment Schedule.

.0305. Scholarship Application Procedures; Determination and Certification of Eligible Students.

- (a) *Method of Applying for Scholarships.* To apply for a Scholarship, a student must complete the FAFSA, list at least one Approved Institution and submit it to the Central Processing System.
- (b) *Allocation of Available Funds.* Following a determination of potential eligibility by the CFI Grant System, Program funds are allocated to students in priority order based on the date on which the students' FAFSAs were initially filed during the applicable year. Eligible applications received after the Authority determines all funds to be exhausted may be eligible but unfunded. If additional funds become available, they will be applied in priority order to eligible but unfunded students.
- (c) *Determination of Eligibility and Amounts of Scholarships.* The Approved Institution shall determine each student's eligibility using the Federal Methodology and the Program Rules. The Approved Institution shall use the same ISIR transaction to determine eligibility for a Scholarship that it uses to determine payment of federal financial aid.
- (d) *Scholarships within an Academic Year.* An Approved Institution shall award a Scholarship to an eligible student for each of one or more semesters or quarters within an Academic Year, provided that the student's total financial aid for that Academic Year, including the Scholarship, does not exceed the student's Cost of Attendance.
- (e) *Denial of Scholarship Applications.* If, after notifying a student of an initial Scholarship award, the Approved Institution determines that a student is not eligible to receive a Scholarship, the Authorized School Official shall notify the student of the determination in writing. The Approved Institution is not required to notify the Authority of the denial.
- (f) *Certification of Eligibility for Scholarship Recipients.* The Approved Institution shall certify in a manner acceptable to the Authority that each student recipient is, in fact, eligible for a Scholarship and the amount of the student's Scholarship in accordance with the Payment Schedule, the Act and the Program Rules.

.0306. Scholarship Disbursement Procedures.

- (a) *Method of Disbursement to the Approved Institution.* The Foundation shall disburse the

Scholarship funds by check or by electronic funds transfer based on information provided by the Approved Institution. Upon receipt of the Scholarship funds from the Foundation, the Approved Institution shall deposit the funds into a separate general ledger account within the Approved Institution's accounting system identified as the "North Carolina Need-Based Scholarship Program Account".

- (b) *Timing of Disbursements to the Approved Institution.* The Approved Institution shall select an initial disbursement date for each term that does not precede the beginning date of the term by more than ten (10) days.
- (c) *Disbursements to the Approved Institution for Students Not Matriculated in All Hours Certified.* A student who is not matriculated in all hours certified shall not receive a Scholarship disbursement until he or she matriculates in hours equal or greater than those certified by the Approved Institution.
- (d) *Timing of Disbursements to Students.* The Approved Institution shall credit each student's account within ten (10) days after the receipt of funds or within ten (10) days after the beginning date of the term for which the proceeds of the Scholarship disbursed, whichever is later.
- (e) *Credit Balances.* If, after the Approved Institution credits the Scholarship to a student's account, the funds credited exceed the amount due to the Approved Institution by the student, the Approved Institution must pay the resulting credit balance to the student within fourteen (14) days of its receipt of funds or fourteen (14) days after the first day or class, whichever is later.
- (f) *Notification.* The Approved Institution shall notify each student in writing, in a form acceptable to the Authority, of the source and amount of the Scholarship.
- (g) *Refund Procedure.* Scholarships that are not disbursed to a student 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, Approved Institutions are responsible for fully reconciling the accuracy of disbursements made in each Academic Year under the Program Rules. An Approved Institution shall return any State funds owed from the prior Academic Year to the Authority by September 1.

.0307. Refund of Scholarship Funds to the Authority.

Approved Institutions shall be responsible for the return of State funds for students who are deemed ineligible under the Act and the Program Rules and for student withdrawals and enrollment adjustments in accordance with Rule .0306(g) and comply with the Authority's policies for return of funds for State-funded grant assistance programs.

.0308. Audit Requirements for Approved Institutions.

Each Approved Institution shall be subject to review and audit by the Authority and the State Auditor, respectively, to determine if the Approved Institution is complying with the Act and the Program Rules. The Approved Institution shall be liable to repay any funds disbursed to its students in violation thereof.

.0309. Inspection of Records.

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

.0310. Independent Audit Reports.

Each Approved Institution shall provide the Authority with a copy of its annual independent audit report, including cover letters and all pertinent documents, within nine (9) months of the end of the Approved Institution's fiscal year.

.0311. Continuing Institutional Eligibility of Approved Institutions.

If a review or audit by the Authority, the State Auditor or an independent auditor engaged by the Approved Institution documents violations of the Act or Program Rules, the Approved Institution shall rectify those violations via refunds and changes in procedures at the Approved Institution. If the Approved 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 IV

Interpretive Guidance

.0400. The Authority as Program Administrator.

The Authority is hereby authorized and directed to develop, adopt and implement such policies, procedures and forms as necessary from time to time in order to administer the Program in accordance with the Act and Program Rules.

.0401. Interpretive Guidance.

The Authority may 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 Approved Institutions. All interpretive guidance shall have the force and effect of the Program Rules.

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 Need-Based Scholarship Program, as amended effective October 23, 2023, adopted by the Board of Directors of the Authority on October 23, 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 31, day of October 2023.



Andrea Poole
Executive Director and Secretary of the Board of Directors

