

**WAC 250-63-080 Control of funds.** The higher education coordinating board may award conditional scholarships to eligible students from the funds appropriated for this purpose and from any required repayments to the fund.

(1) Agreement with the board:

(a) Each conditional scholarship recipient shall enter into a loan agreement, hereafter known as the "promissory note," with the board agreeing to comply with the rules, regulations, and guidelines of the conditional scholarship program.

(b) The promissory note shall serve as the legal document verifying the recipient's understanding of the opportunity to have the loan forgiven in exchange for teaching service and the obligation to repay the loan if teaching service is not provided.

(2) Award amounts:

(a) Recipients may be eligible to receive conditional scholarships for a maximum of the equivalent of five academic years of full-time study.

(b) The amount of conditional scholarships awarded individual full-time recipients shall not exceed four thousand dollars per academic year for recipients attending eligible four-year or graduate public or private colleges and universities, and two thousand dollars per academic year for recipients attending eligible two-year institutions.

(c) Recipients enrolling for summer coursework after the completion of an academic year of full-time eligibility may be eligible for additional summer award amounts equivalent to a third semester or fourth quarter. In this case, the recipients would be assumed to be beginning their second academic year of award eligibility. For example, for a student attending a semester college who received full-time enrollment awards of two thousand dollars each for fall, spring and summer, the student would be assumed to have received loans for the equivalent of 1.5 academic years.

(d) Recipients enrolling on less than a full-time basis shall receive the following prorated award amounts for all terms of part-time enrollment:

(i) Enrollment of 9.0 - 11.9 credit hours per term equals three-quarter enrollment. This shall be equal to an award amount of seventy-five percent of the full-time award amount.

(ii) Enrollment of 6.0 - 8.9 credit hours per term equals half-time enrollment. This shall be equal to an award amount of fifty percent of the full-time award amount.

(iii) Enrollment of 3.0 - 5.9 credit hours per term equals one-quarter enrollment. This shall be equal to an award amount of twenty-five percent of the full-time award amount.

(e) Recipients receiving awards for part-time enrollment shall have the assessment of their award records calculated on a prorated basis. For example, a recipient receiving awards on the basis of half-time enrollment for two academic years will have used one academic year of loan eligibility.

(3) Grace period. No interest accrues and no payments are required of the recipient during a six-month grace period. The grace period begins the first day of the month following whichever of the following dates comes first:

(a) The last day of the term of the recipient's program of education which culminates with the completion of the initial teacher certification requirements; or

(b) The last day of the term the recipient ceases continuous enrollment.

(4) Deferment of loans. No interest is charged to recipients during approved periods of deferment as approved by the board. Approved deferments include:

(a) The recipient's continuous enrollment in the educational program which culminates with the completion of the initial teacher certification requirements.

(b) The recipient has a temporary total disability or is unable to secure employment by reason of the care required by a dependent who is disabled. The deferment continues for a period not to exceed three years.

(c) The recipient returns to an approved educational program on at least a half-time basis to complete the initial teacher certification requirements after the loan has already gone into repayment.

(d) Other circumstances as determined by the board.

(5) Forbearance. The board staff may approve an additional limited deferment of payment of principal based on special circumstances, such as a financial hardship of the recipient. The recipient's loan account will be assessed interest during the period of forbearance.

(6) Cancellation of loans. In the event of a recipient's death or total and permanent disability, the recipient's unpaid indebtedness shall be fully canceled.

(7) Forgiveness of the loans.

(a) Loan forgiveness is granted at the higher rate of:

(i) One academic year of loan forgiveness for each two years of teaching service; or

(ii) One academic year of loan forgiveness for each year of teaching service in geographic or subject-matter shortage areas, as specified by the office of the superintendent of public instruction.

(b) Loan forgiveness for teaching service for periods less than an academic year shall be prorated based upon verification of teaching service of a minimum of three months, and then shall be prorated thereafter. No forgiveness shall be granted for teaching service of less than three months.

(c) For recipients receiving loans for the equivalent of a portion of an academic year, the teaching service required for loan forgiveness shall be prorated. The following two examples show how this works in practice.

(i) If a recipient received a loan amount for the equivalent of one-third academic year, the required teaching service for forgiveness of the loan is two-thirds of an academic year; or one-third of an academic year, if the recipient taught in a shortage area.

(ii) If a recipient received a loan amount for the equivalent of two and one-half academic years, the required teaching service for forgiveness of the loan is five academic years; or two and one-half academic years, if the recipient taught in a shortage area.

(8) Interest rates. The interest rate on new loans shall be determined annually by the board. The annual interest rate shall generally parallel the current rate for new loans in the primary federal student loan program for undergraduate students. Interest charges are assessed beginning at the conclusion of the grace period for recipients not in deferment who are not providing teaching service.

(9) Loan equalization fee. Recipients who do not enter teaching service by the conclusion of the grace period and other approved loan deferments shall incur a loan equalization fee of not more than three percent of the remaining unforgiven loan balance. This fee shall be

determined annually by the board. The loan equalization fee shall be added to the remaining principal balance and be repaid by the recipient.

(10) Repayment of the loan. Should the recipient not be eligible for loan forgiveness due to teaching service, the loan principal and the loan equalization fee, which will be added to the loan principal, must be fully repaid with interest beginning at the end of the grace period or loan deferral period, whichever is later, according to the following terms:

(a) The minimum monthly repayment rate shall be set by the board, but shall not be less than fifty dollars per month.

(b) The maximum period for repayment shall be ten years, with payments of principal and interest accruing quarterly, commencing the first quarter following the completion of recipient's grace period or loan deferral period, whichever date is later.

(11) Collection of repayments:

(a) The board is responsible for collection of repayments made and shall exercise due diligence in such collection, maintaining all necessary records to ensure that maximum repayments are made.

(b) The board is responsible to forgive all or parts of such repayments under the criteria established by the board and shall maintain all necessary records of forgiven payments.

(12) Establishment of loan account. All appropriations, receipts from the payment of the principal or interest, and any other subsidies to which the board as administrator is entitled which are paid by or on behalf of recipients under this section, shall be deposited with the board in the account authorized by RCW 28B.102.060. It shall be used to cover the costs of granting the conditional scholarships, maintaining necessary records and making collections. The board shall maintain accurate records of these costs, and all receipts beyond those necessary to pay such costs shall be used to grant conditional scholarships to eligible students.

[Statutory Authority: Chapter 28B.80 RCW and 2000 2nd sp.s. c 1 § 610(5). WSR 01-08-017, § 250-63-080, filed 3/26/01, effective 4/26/01.]