



## South Carolina Commission on Higher Education

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December 7, 2017

### **MEMORANDUM**

**To:** Chairman Tim Hofferth and Members  
SC Commission on Higher Education

**From:** Chairman Paul O. Batson, III, and Members  
Committee on Access & Equity and Student Services

### **South Carolina Teachers Loan Program: Recommended Changes**

The South Carolina Teachers Loan Program is a program established by the Education Improvement Act (EIA) of 1984 to assist students who desired to become certified teachers in geographic or subject areas of critical need in the state. These loans were first offered to qualified students in 1985. At present, these loans may be canceled at a rate of 20 percent per year for each full year of teaching in a critical area in South Carolina.

As the state addresses critical teacher pipeline shortages and the need to recruit more students into teacher education programs, the SC Teachers Loan Advisory Committee (TLAC) reviewed the present structure of the SC Teachers Loan Program and proposed changes to the Program given the current needs in South Carolina. According to TLAC, the rationale for these changes are to: 1) recruit more students into teacher education programs; and 2) help retain current teachers in South Carolina schools. One additional justification for the recommended changes is to make administration of the SC Teachers Loan Program as efficient and cost-effective as possible.

With the exception of the loan amounts, these recommendations involve changes to the Teachers Loan Program statutory provisions, SC Code Ann. Section 59-26-20(j) (**Attachment I**). The loan amounts are not set by statute or regulation.

According to the SC Student Loan Corporation, the increase in loan amounts to \$7,500 for 409 junior and senior teacher loan borrowers is estimated to be \$1,022,500 (**Attachment II**). Also, for FY2017-18 there are 175 multiple loans made by 72 teacher borrowers in repayment who are presently teaching in non-critical needs areas. The total principal amount outstanding for this group is \$619,348.00 plus \$17,281.77 interest. This principal would be forgiven at 33.3 percent or \$5,000 (whichever is greater) for teachers who are presently teaching in non-critical needs areas.

In addition to the borrower groups above, it is important to note that there will be a number of regular student loan borrowers (not teacher loan borrowers) who did not identify themselves as teachers when they submitted their loan information to the SC Student Loan Corporation – these individuals

simply applied for a student loan. As a result, these teachers may meet the meet the proposed eligibility requirements to have their loans forgiven at 33.3 percent. This number, according to the Corporation, may be hard to estimate given that the teachers have taken out student loans as regular student borrowers.

The final recommendation is to replace language in the statute that refers to a private entity (SC Student Loan Corporation) and replace with approved vendor. The General Assembly established the South Carolina State Education Assistance Authority in 1971, authorizing this entity to provide financial assistance to students through insuring and guaranteeing student loans to South Carolina residents. The Authority is a public instrumentality of the State of South Carolina and is governed by its members, who are by state statute, members of the State Fiscal Accountability Authority. In 1973, the SC Student Loan Corporation was incorporated for the purpose of acting as the agent of the Authority in performing the functions of making, handling, servicing and providing information about student loans. In June 1984, the General Assembly designated the SC Student Loan Corporation as administrator of the SC Teachers Loan Program.

The South Carolina Student Loan Corporation is a private, non-profit corporation headed by its own Board of Directors. Replacing the language "SC Student Loan Corporation" to approved vendor will allow for qualified vendors, including the SC Student Loan Corporation, to present the most cost-effective way to manage the oversight and administration of teacher loans and compete through state procurement. This is endorsed by the SC Student Loan Corporation.

**Estimated Costs (for discussion at the Committee on Access & Equity and Student Services Meeting 11/27/2017):**

According to the SC Student Loan Corporation, based on current student teachers, the increased loan amount to \$7,500 for the current 409 junior and senior teacher loan borrowers is projected to be \$1,022,500 (409 current sophomore and junior loan borrowers x \$2,500 = \$1,022,500). The Corporation estimates that there will be savings in administrative costs resulting from eliminating the loan eligibility criteria. It is anticipated that there will be a budgetary savings (administrative personnel costs) between \$45,000 - \$60,000.

**Recommendation**

The Committee on Access & Equity and Student Services commends favorably to the Commission the following recommendations from the SC Teachers Loan Advisory Committee to take effect no earlier than July 1, 2019:

- 1) Increase the loan amount to \$7,500 for the junior and senior years while enrolled in a teacher education program, as well as when enrolled in a Master of Arts in Teaching program;
- 2) Base loan eligibility for the freshman and sophomore years solely on a declared intent to seek a teacher education degree;
- 3) Provide loan forgiveness to all future loan program participants who go on to teach in a SC public school, regardless of what school they teach in and what subject they teach, and set the loan forgiveness rate at 33.3 percent Or \$5,000 (whichever is greater) for each completed year of teaching;
- 4) Provide loan forgiveness at the 33.3 percent rate or \$5,000 (whichever is greater) for all loan recipients who are currently teaching in a SC public school, regardless of the teacher's subject or school; and
- 5) Replace all references to the SC Student Loan Corporation to language referencing an approved vendor.

(j) the Commission on Higher Education, in consultation with the State Department of Education ~~and the staff of the South Carolina Student Loan Corporation~~, shall develop a loan program in which talented and qualified state residents may be provided loans to attend public or private colleges and universities for the sole purpose and intent of becoming certified teachers employed in the State. The recipient of a loan is entitled to have up to one hundred percent of the amount of the loan plus the interest canceled, if he or she becomes certified and teaches in a South Carolina public school, in areas of critical need. Areas of critical need shall include both geographic areas and areas of teacher certification and must be defined annually for that purpose by the State Board of Education. The definitions used in the federal Perkins Loan Program shall serve as the basis for defining "critical geographical areas", which shall include special schools, alternative schools, and correctional centers as identified by the State Board of Education. The recipient of a loan is entitled to have up to one hundred percent of the amount of the loan plus the interest canceled if he becomes certified and teaches in an area of critical need. Should the area of critical need in which the loan recipient is teaching be reclassified during the time of cancellation, the cancellation shall continue as though the critical need area had not changed. Additionally, beginning with the 2000-2001 school year, a teacher with a teacher loan through the South Carolina Student Loan Corporation shall qualify, If the teacher does not begin teaching in a South Carolina public school immediately upon completion of a teacher education program, but later does so, is teaching in an area newly designated as a critical needs area (geographic or subject, or both), the teacher shall then become eligible for loan forgiveness. Previous loan payments will not be reimbursed. The Department of Education and the local school district are responsible for annual distribution of the critical needs list. It is the responsibility of the teacher to request loan cancellation through service in a critical needs area to the designated loan servicing vendor Student Loan Corporation by November first, annually.

Beginning July 1, 201800, all past and futurethe loans willmust be canceled at the rate of twenty percent or three thousand dollars, whichever is greater, of the total principal amount of the loan plus interest on the unpaid balance for each complete year of teaching service in either an academic critical need area or in a geographic need area. The loan must be canceled at the rate of thirty-three and one-third percent, or five thousand dollars, whichever is greater, of the total principal amount of the loan plus interest on the unpaid balance, for each complete year of teaching service in both an academic critical need area and a geographic need area. Beginning July 1, 2000, all loan recipients teaching in the public schools of South Carolina but not in an academic or geographic critical need area are to be charged an interest rate below that charged to loan recipients who do not teach in South Carolina.

Additional loans to assist with college and living expenses must be made available for talented and qualified state residents attending public or private colleges and universities in this State for the sole purpose and intent of changing careers in order to become certified teachers employed in a SC public schoolthe State in areas of critical need. These loan funds also may be used for the cost of participation in the alternativecritical needs certification program pursuant to Section 59-26-30(A)(8). Such loans must be cancelled under the same conditions and at the same rates as other critical need loans specified herein.

In case of failure to make a scheduled repayment of an installment, failure to apply for cancellation of deferment of the loan on time, or noncompliance by a borrower with the intent of the loan, the entire unpaid indebtedness including accrued interest, at the option of the commission, shall become immediately due and payable. The recipient shall execute the necessary legal documents to reflect his obligation and the terms and conditions of the loan. The loan program, if implemented, pursuant to the South Carolina Education Improvement Act, is to be administered by an approved loan administration vendorthe South Carolina Student Loan Corporation. Funds generated from repayments to the loan program must be retained in a separate account and utilized as a revolving account for the purpose that the funds were originally appropriated. Appropriations for loans and administrative costs incurred by the corporationloan administration vendor are to be provided in annual amounts, recommended by the Commission on Higher

Education, to the State Treasurer for use by the ~~loan administration corporation~~ vendor. The Education Oversight Committee shall review the loan program annually and report to the General Assembly.

~~Notwithstanding another provision of this item:~~

~~—(1) For a student seeking loan forgiveness pursuant to the Teacher Loan Program after July 1, 2004, “critical geographic area” is defined as a school that:~~

~~—(a) has an absolute rating of below average or unsatisfactory;~~

~~—(b) has an average teacher turnover rate for the past three years that is twenty percent or higher; or~~

~~—(c) meets the poverty index criteria at the seventy percent level or higher.~~

~~—(2) After July 1, 2004, a student shall have his loan forgiven based on those schools or districts designated as critical geographic areas at the time of employment.~~

~~—(3) The definition of critical geographic area must not change for a student who has a loan, or who is in the process of having a loan forgiven before July 1, 2004.~~

\_\_The Center for Educator Recruitment, Retention and Advancement shall also appoint and maintain the South Carolina Teacher Loan Advisory Committee. The Committee shall, at a minimum, be composed of one individual representing each of the following organizations: (1) Commission on Higher Education; (2) State Board of Education; (3) Education Oversight Committee; (4) Center for Educator Recruitment, Retention, and Advancement; (5) ~~the loan administration vendor~~South Carolina Student Loan Corporation; (6) South Carolina Association of Student Financial Aid Administrators; (7) a local school district human resources officer; (8) a public higher education institution with an approved teacher education program; and (9) a private higher education institution with an approved teacher education program. The members of the Committee representing the public and private higher education institutions shall rotate among those intuitions and shall serve a two-year term on the Committee. The Committee must be staffed by CERRA, and shall meet at least twice annually. The Committee’s responsibilities are limited to: (1) establishing goals for the Teacher Loan Program; (2) facilitating communication among the cooperating agencies; (3) advocating for program participants; and (4) recommending policies and procedures necessary to promote and maintain the program.

**From:** [Woodfaulk, Karen](#)  
**To:** [Sanders, Laverne](#)  
**Subject:** FW: Teacher Loans  
**Date:** Monday, November 20, 2017 3:14:16 PM  
**Attachments:** [image004.png](#)

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This is the number you requested. The total for 2<sup>nd</sup> year and 3<sup>rd</sup> year is 409 loans. At \$2,500 increase you get \$1,022,500 increase.

|                       |                               |             |                     |            |
|-----------------------|-------------------------------|-------------|---------------------|------------|
| <b>TLP</b>            | <b>Freshman</b>               | <b>238</b>  | <b>587,050.00</b>   | <b>162</b> |
|                       | <b>Sophomore</b>              | <b>154</b>  | <b>381,695.00</b>   | <b>83</b>  |
|                       | <b>Junior</b>                 | <b>255</b>  | <b>1,209,851.00</b> | <b>128</b> |
|                       | <b>Senior</b>                 | <b>338</b>  | <b>1,580,190.00</b> | <b>153</b> |
|                       | <b>5th Year Undergraduate</b> | <b>20</b>   | <b>100,000.00</b>   | <b>7</b>   |
|                       | <b>1st Year Graduate</b>      | <b>96</b>   | <b>442,062.00</b>   | <b>28</b>  |
|                       | <b>2nd Year Graduate</b>      | <b>33</b>   | <b>152,415.00</b>   | <b>7</b>   |
|                       | <b>3rd Year Graduate</b>      | <b>2</b>    | <b>10,000.00</b>    | <b>0</b>   |
| <b>*Total for TLP</b> |                               | <b>1136</b> | <b>4,463,263.00</b> | <b>568</b> |

Ray Jones  
 Vice President of Loan Programs  
 SC Student Loan

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