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The Wisconsin Higher Educational Aids Board proposes an order to create HEA 14 relating to the Teacher of the Visually Impaired Loan Program.

**REPORT OF THE HIGHER EDUCATIONAL AIDS BOARD
ON THE FINAL DRAFT RULE**

This report is submitted to the presiding officers of the Senate and Assembly for referral to the appropriate standing committees. The report consists of the following parts:

- Part 1 Analysis prepared by the Higher Educational Aids Board.
- Part 2 Rule Text in final draft form.
- Part 3 Recommendations of the Legislative Council.
- Part 4 Analysis prepared pursuant to the provisions of s.227.19 (3) Stats.

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PART 1

Analysis Prepared by the Higher Educational Aids Board

Statutory Authority: s. 39.398, Stats.

The 1999 Wis. Act 9 created s. 39.398, which provides for loans to Wisconsin residents enrolled in an in-state or eligible out-of-state institution in a program that prepares them to be licensed as teachers of the visually impaired or orientation and mobility instructors. The Wisconsin Higher Educational Aids Board administers this program under s. 39.398. These would be the final administrative rules for this program. The student who receives this award must agree to be a licensed teacher of the visually impaired or an orientation and mobility instructor in a designated school or school district. For each of the first two years the student teaches and meets the eligibility criteria 25% of the loan is forgiven. For the third year, 50% is forgiven. If the student does not teach and/or meet the eligibility criteria, the loan must be repaid. There are provisions for an application process, loan forgiveness, terms of repayment and deferment of loan repayment. The proposed administrative rules will not affect expenditures of State funds for the Teacher of the Visually Impaired Loan Program.

PART 2

Text of Proposed Rule

Under the authority vested in the state of Wisconsin, higher educational aids board, by s. 39.398, the higher educational aids board hereby proposes to create a rule relating to the Teacher of the Visually Impaired Loan Program.

HEA 14.01 Purpose.

To define the various aspects of the Teacher of the Visually Impaired Loan Program authorized by s. 39.398, Stats., as created by 1999 Wis. Act 9 as to the awarding of the loans; their forgiveness; or their repayment.

HEA 14.02 Definitions. (1) "Board" means the higher educational aids board

(2) "Eligible institution" means a non-profit, private institution of higher education in Wisconsin or a physically adjacent state [(as defined in s. 175.46 (1)(d). Stats.] which is accredited by a national or state accrediting agency, and which provides a program that prepares persons to be licensed as teachers of visually impaired pupils or as orientation and mobility instructors.

(3) "Forbearance" means an extension of time for making loan payments or the acceptance of smaller payments than were previously scheduled.

(4) "Grace Period" means a six-month period following withdrawal or graduation during which the borrower is not responsible for interest or payment.

(5) "Loan" means a loan made under the Teacher of the Visually Impaired Loan Program.

HEA 14.03 Borrower eligibility. (1) The borrower shall be a resident of the United States, either a citizen or an alien lawfully admitted for permanent residence by the federal immigration and naturalization service.

(2) The borrower shall be a Wisconsin resident as determined by the board using the residency standards of s. 36.27, Stats.

(3) The borrower shall be enrolled at least part-time in an eligible institution in a program that prepares persons to be licensed as teachers of the visually impaired or as orientation and mobility instructors.

(4) The borrower shall not be required to show financial need.

(5) To the extent possible, preference shall be given to persons who are likely to remain or return to

Wisconsin to work with visually impaired persons.

HEA 14.04 Terms of loans. (1) Eligible borrowers shall receive a minimum annual award of \$250. The maximum annual award shall not exceed \$10,000. The exact amount of the award shall not exceed the borrower's cost of education, as determined by the eligible institution using recognized federal methodology, minus the need-based aid the borrower is offered. Loans for students that are need-based may be replaced in the package of aid by the Teacher of the Visually Impaired Loan. The total the borrower receives under this program shall not exceed \$40,000 in outstanding principal.

(2) For loans that are not forgiven but must be repaid, the interest rate shall be 5% annually on the unpaid principal balance with accrual beginning upon the initial date of repayment. Interest shall not accrue during periods of at least half-time enrollment; grace period; employment that qualifies for forgiveness; or during board authorized periods of deferment from repayment.

(3) The initial date of repayment shall be determined by the board in each instance beginning no sooner than six months after the borrower withdraws or graduates from the eligible institution. There shall be a six-month grace period that will start the day after the person withdraws or graduates from the eligible institution. The borrower shall not be required to make payment during the grace period.

HEA 14.05 Application process. (1) A borrower seeking a loan shall contact the eligible institution's financial aid office.

(2) The eligible institution's financial aid office shall determine the borrower's cost of education within the requirements set by the board. The board shall decide if the borrower shall receive a loan under this program.

(3) The eligible institution's financial aid office shall notify the board of the loan amount for the borrower. The board shall issue a check for the borrower's loan after the borrower's signed agreement form has been received by the board.

(4) All borrower contact concerning forgiveness and repayment shall be with the board. After leaving school the borrower shall maintain written annual contact with the board until the loan is either forgiven or repaid. The borrower is required to forward all name, address and telephone number changes to the board.

HEA14.06 Loan forgiveness. (1) Loans shall be forgiven when the borrower is licensed and employed, at least part-time, in Wisconsin as a teacher of visually impaired pupils or as orientation and mobility instructor by a Wisconsin school district, the Wisconsin Center for the Blind and Visually Impaired or a cooperative educational service agency. For the first academic year of full-time employment, 25% of the principal and accrued interest, if any, shall be forgiven, with the amount to be prorated in cases where less time has been worked. For the second academic year of full-time employment, 25% of the principal and accrued interest, if any, shall be forgiven, with the amount pro-rated in cases where less time has been worked. For the third academic year of full-time employment, 50% of the principal and accrued interest, if any shall be forgiven, with the amount pro-rated in cases where less time has been worked. The borrower shall be given a maximum of 6 years to work the required 3 years for full forgiveness.

(2) The maximum of 6 years allowed for forgiveness shall be extended by the board for up to a total of 3 years for approved periods of deferment, as referenced in HEA 14.08. In no instance shall the term of forgiveness exceed 9 years including periods of deferments authorized by the board. The executive secretary may allow additional periods of deferment in exceptional situations.

(3) Any loan principal remaining unforgiven either because the forgiveness period as defined in subs. (1) and (2) is over, or because the borrower has not been employed for forgiveness as defined in sub. (1) or has moved out of state, shall be repaid to the state of Wisconsin with interest accrued from the date on which the forgiveness period ended.

(4) Only borrowers holding a license in teaching visually impaired pupils or as an orientation and mobility instructor shall be eligible for forgiveness.

(5) No interest shall be charged the borrower during the forgiveness period.

HEA 14.07 Terms of repayment. (1) Borrowers shall repay a loan if not employed, at least part-time, as a teacher of visually impaired pupils or as an orientation and mobility instructor in a Wisconsin school district, the Wisconsin Center for the Blind or an educational service agency. Repayment shall be required of borrowers who are employed for periods of time but who do not complete their forgiveness within the time allowed.

(2) The monthly payment shall be a minimum of \$50 including principal and accrued interest. Accrued interest shall be paid first each month from the payment received. The board shall determine the monthly repayment schedule, although a borrower may request a schedule with a higher monthly payment.

(3) A borrower shall repay the loan within a maximum of 15 years not counting periods of deferment granted by the board. Interest shall not accrue during periods of deferment authorized by the board.

(4) Borrowers may prepay any or all of their loan account without penalty whether the borrower is in school, forgiveness, repayment or deferment.

(5) If the borrower dies or becomes totally and permanently disabled, all obligation to make any further payment of principal and interest on the loan shall be canceled.

HEA 14.08 Deferment of loan repayment for borrowers. (1) Borrowers who return to school on a full-time basis in any course of study at an accredited institution shall be deferred by the board from repayment for the period of enrollment.

(2) Borrowers who are on active duty in the military shall be deferred by the board from repayment for the period of their active duty, not to exceed to 3 years.

(3) Borrowers, who enter the Peace Corps or Volunteers in Service to America, shall be deferred by the board from repayment for the term of their active service, not to exceed 3 years. Employment with similar private agencies is eligible for deferment, as determined by the executive secretary, if the agency is federally tax exempt.

(4) Borrowers who are unemployed shall be deferred from repayment by the board for up to 6 months at a time, up to a maximum of 24 months, as long as they provide proof, satisfactory to the board, of actively seeking employment.

(5) Borrowers who become pregnant, give birth or legally adopt a child shall be deferred from repayment by the board for up to 12 months.

(6) In order to receive a deferment, a borrower shall apply to the board. If the borrower submits written evidence, which verifies eligibility for the deferment, the board shall approve the deferment.

(7) The board may grant forbearance from repayment for the benefit of the borrower. The board may grant forbearance whenever unemployment, health, other personal problems, or educational study that is ineligible for deferment temporarily affects the borrower's ability to make scheduled payments on the loan. Periods of forbearance may not exceed 6 months for each approved request, up to a maximum total of 24 months.

HEA 14.09 Applicability. Administrative rule HEA 14 shall apply to all loans made since the inception of the program.

Effective Date: These rules shall take effect on the first day of the month following publication in the Wisconsin Administrative Register as provided in s. 227.22(2) Stats.

PART 3

Recommendations of the Legislative Council

See enclosed recommendations.

PART 4

Analysis of Final Draft of HEA 14

Need for Rules

Rules are needed to administer the program under statute. These are the initial rules to be promulgated under the law.

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Public Hearing

The Board held a public hearing in Madison on July 20, 2001 on the proposed rules for the Teacher Education Loan Program.

No individuals testified on the proposed rules and no written testimony was received.

Response to Legislative Council Recommendations

All comments of the Legislative Council's Rules Clearinghouse were accepted and the rules were modified accordingly with the exception of #5.c. The language used reflects the intent of HEAB.

Initial Regulatory Flexibility Analysis

The proposed rules concerns a student financial aid program and have no affect on small business in Wisconsin.