

FEB 15 1996
EDUCATION

HOUSE FILE 2228
BY NELSON of Pottawattamie
and HAMMITT BARRY

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act establishing an education professional forgivable loan
2 program and creating an education professional loan revolving
3 fund, and providing for related matters.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. 261.74 EDUCATION PROFESSIONAL
2 FORGIVABLE LOAN PROGRAM.

3 An education professional forgivable loan program is
4 established, to be administered by the college student aid
5 commission. An individual is eligible to apply for acceptance
6 in the forgivable loan program if the individual meets all of
7 the following conditions:

8 1. Is an Iowa resident student enrolled at an eligible
9 institution located in Iowa as defined in section 261.35,
10 subsection 3.

11 2. Has received a loan from moneys appropriated to the
12 college student aid commission for this program.

13 3. Is enrolled in a program at an eligible institution
14 that will qualify the individual for loan forgiveness pursuant
15 to section 261.76.

16 Sec. 2. NEW SECTION. 261.75 FORGIVABLE LOAN
17 ADMINISTRATION.

18 The college student aid commission shall administer the
19 education professional forgivable loan program in the same
20 manner as specified in section 261.15. The maximum loan that
21 an individual is eligible to receive for each year of
22 participation in the program shall be allocated for loans
23 under the program. An individual may receive forgivable loans
24 each year for not more than four years. A student is eligible
25 to receive both a tuition grant and a forgivable loan.

26 Sec. 3. NEW SECTION. 261.76 ELIGIBILITY FOR LOAN
27 FORGIVENESS.

28 1. An individual who meets all of the following criteria
29 is eligible for loan forgiveness over a period of the four
30 years and at the end of the four-year period, the total
31 amounts of the loans are forgiven:

32 a. Is a teacher employed on a full-time basis under
33 sections 279.13 through 279.19 or is a teacher employed in an
34 approved nonpublic school.

35 b. Is a resident of Iowa.

1 c. Is employed in a teaching position in an endorsement
2 area in which a teaching shortage exists, as determined by the
3 board of educational examiners. Annually, the board of
4 educational examiners shall determine the areas of shortage
5 and an individual receiving a forgivable loan for one year of
6 study may continue to receive the forgivable loan for not more
7 than four years of study pursuant to this section.

8 2. Of the moneys loaned to an eligible individual, for
9 each year of up to and including four years of employment in
10 Iowa in accordance with subsection 1, paragraph "b", an amount
11 equal to twenty-five percent of the original principal and the
12 proportionate share of accrued interest shall be forgiven. If
13 an individual fails to complete a school year of employment as
14 provided in subsection 1, paragraph "b", the loan amount for
15 that year shall not be forgiven. Forgivable loans made to
16 eligible individuals shall not become due, for repayment
17 purposes, until one year after the individual has graduated.
18 A loan that has not been forgiven may be sold to a bank,
19 savings and loan association, credit union, or nonprofit
20 agency eligible to participate in the guaranteed student loan
21 program under the federal Higher Education Act of 1965, 20
22 U.S.C. § 1071 et seq., by the commission when the loan becomes
23 due for repayment.

24 3. The commission shall adopt rules which provide
25 standards, guidelines, and procedures for the receipt,
26 processing, and administration of applications and loans under
27 this section.

28 Sec. 4. NEW SECTION. 261.77 EDUCATION PROFESSIONAL LOAN
29 REVOLVING FUND.

30 An education professional loan revolving fund is created in
31 the state treasury as a separate fund under the control of the
32 commission. The commission shall deposit payments made by
33 education professional loan recipients and the proceeds from
34 the sale of education professional loans, less costs of
35 collection of delinquent education professional loans, into

1 the education professional loan revolving fund. Moneys
2 credited to the fund shall be used to supplement moneys
3 appropriated for the education professional forgivable loan
4 program, for loan forgiveness to eligible education
5 professionals, and to pay for loan or interest repayment
6 defaults by eligible education professionals. Notwithstanding
7 section 8.33, any balance in the fund on June 30 of any fiscal
8 year shall not revert to the general fund of the state.

9

EXPLANATION

10 This bill establishes an education professional forgivable
11 loan program, to be administered by the college student aid
12 commission for Iowa residents who are enrolled in eligible
13 postsecondary institutions located in Iowa. The bill also
14 establishes an education professional revolving loan fund.

15 An eligible postsecondary institution is any postsecondary
16 educational institution that meets the requirements of the
17 provisions of the Higher Education Act of 1965 for student
18 participation in the federal interest subsidy program and the
19 requirements prescribed by rule of the commission.

20 To be eligible for loan forgiveness under the program, the
21 student shall have graduated from an eligible institution
22 located in Iowa, have received a loan from moneys appropriated
23 to the college student aid commission for this program, and be
24 employed on a full-time basis in an endorsement area in which
25 the board of educational examiners has determined there is a
26 shortage.

27 Of the moneys loaned to an eligible student, for each year
28 of up to and including four years of employment in Iowa in
29 accordance with subsection 1, an amount equal to 25 percent of
30 the original principal and the proportionate share of accrued
31 interest shall be forgiven. If a loan recipient fails to
32 complete a school year of employment as provided in subsection
33 1, paragraph "b", the loan amount for that year shall not be
34 forgiven. Forgivable loans shall not become due for repayment
35 until one year after the loan recipient has graduated. A loan

1 that has not been forgiven may be sold to a bank, savings and
2 loan association, credit union, or nonprofit agency eligible
3 to participate in the guaranteed student loan program under
4 the federal Higher Education Act of 1965, 20 U.S.C. § 1071 et
5 seq., by the commission when the loan becomes due for
6 repayment.

7 The bill creates the revolving fund in the state treasury
8 as a separate fund under the control of the commission. The
9 commission shall deposit payments made by education
10 professional loan recipients and the proceeds from the sale of
11 education professional loans, less costs of collection of
12 delinquent education professional loans, into the education
13 professional loan revolving fund. Moneys credited to the fund
14 shall be used to supplement moneys appropriated for the
15 education professional forgivable loan program, for loan
16 forgiveness to eligible education professionals, and to pay
17 for loan or interest repayment defaults by eligible education
18 professionals. Any balance in the fund on June 30 of any
19 fiscal year shall not revert to the general fund of the state.

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