

COMMITTEE OF CONFERENCE SUBSTITUTE TO SB 169

A BILL TO BE ENTITLED

AN ACT

1 To amend Chapter 3 of Title 20 of the Official Code of Georgia Annotated, relating to
2 postsecondary education, so as to provide for definitions; to provide for direct loans to
3 students on the basis of need and merit for attendance at certain postsecondary institutions
4 at the rate of 1 percent annually; to provide for definitions; to provide for the maximum
5 amount of such loans; to provide for eligibility requirements; to provide for the random
6 selection of recipients of such loans from eligible applicants; to provide for a fund for such
7 loans that is separate from the general loan fund; to provide for a term of repayment,
8 repayment schedules, and a higher interest rate in the event of default; to enact the "Graduate
9 On Time Student Loan Act" and the "Education for Public Service Student Loan Act"; to
10 provide for direct loans to students for attendance at certain postsecondary institutions; to
11 provide for separate loan funds for such student loan programs; to provide for definitions,
12 maximum loan amounts, eligibility requirements, random selection among eligible
13 applicants, fees, and rules and regulations; to reduce or eliminate the interest rate for such
14 loans and recalculate the balance of such loans if recipients meet specified requirements; to
15 provide for requirements for reduction or elimination of the interest rate; to provide for
16 contents of the promissory note; to provide for certain elections by a student who has
17 qualified for a reduced interest rate for one or more Education for Public Service student
18 loans and for the terms and conditions of such elections; to provide for a term of repayment,
19 repayment schedules, and a higher interest rate in the event of default; to provide for an
20 opportunity on income tax returns for Georgia taxpayers to contribute to these funds for
21 student loans; to provide for procedures for transmittal of such donations to the Georgia
22 Student Finance Authority and for equal division of such contributions among the three funds
23 for student loans established by this Act; to provide for grants to students attending North
24 Georgia College and State University who accept a military commission; to provide for
25 legislative findings; to provide for a definition; to provide for the amount of the grant; to
26 provide for application for grants, certification of eligibility, and refunds; to provide for a pro
27 rata reduction when funds are insufficient; to provide for audits of the college; to provide for

1 a penalty for false statements; to provide for related matters; to repeal conflicting laws; and
 2 for other purposes.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

4 **SECTION 1.**

5 Chapter 3 of Title 20 of the Official Code of Georgia Annotated, relating to postsecondary
 6 education, is amended by revising subsection (a) of Code Section 20-3-373, relating to the
 7 general loan fund for education loans financed by state funds, as follows:

8 "(a) The authority shall maintain a general loan fund to which shall be credited:

9 (1) State funds appropriated for use by the authority for educational loan purposes as
 10 specified in this subpart other than service cancelable loans;

11 (2) Unrestricted moneys received by gift or otherwise and other moneys available for and
 12 determined by the authority to be used for the purposes of this Code section;

13 (3) Outstanding educational loans held by the authority under this subpart as to which
 14 the borrower does not have a right to repay and cancel the loan through services rendered;

15 (4) Principal collected on all educational loans held by the authority under this subpart,
 16 including the principal portion of payments received from the corporation in discharge
 17 of its guaranty liability on such loans; and

18 (5) Such amounts as may be transferred to the fund from the service cancelable loan fund
 19 or the administration fund of the authority.

20 The authority is authorized to use moneys available in the fund to make guaranteed
 21 educational loans to eligible students and parents in accordance with its rules and
 22 regulations and Part 2 of this article. The authority is further authorized, under such limited
 23 circumstances as it may prescribe, to use moneys available in the fund to purchase
 24 guaranteed educational loans made by other lenders under Part 2 of this article and to sell
 25 guaranteed educational loans made or owned by the authority to eligible lenders."

26 **SECTION 2.**

27 Said chapter is further amended by inserting a new subpart in Part 3 of Article 7 to read as
 28 follows:

29 "Subpart 4A

30 20-3-395.

31 As used in this subpart, the term:

1 (1) 'Cost of attendance' of a student means the cost of attendance calculated in
2 accordance with Title IV.

3 (2) 'Eligible high school' has the same meaning as provided in Code Section 20-3-519.

4 (3) 'Eligible postsecondary institution' means:

5 (A) A unit of the University System of Georgia that offers associate or baccalaureate
6 degrees;

7 (B) A unit of the Department of Adult and Technical Education that offers associate
8 or baccalaureate degrees; or

9 (C) An institution of higher education located in this state that offers associate or
10 baccalaureate degrees; that is accredited by a regional accrediting agency recognized
11 by the United States Department of Education; that is not a Bible school or college; that
12 admits as regular students only persons who have a high school diploma, a general
13 educational development diploma, or a degree from an accredited postsecondary
14 institution; and whose students are eligible to participate in the federal Pell Grant
15 program.

16 (4) 'Expected family contribution' means expected family contribution calculated in
17 accordance with Title IV.

18 (5) 'Reasonable interest rate' means an interest rate no higher than the Wall Street Journal
19 prime rate effective on July 1 for the fiscal year beginning July 1 of each year. If an
20 outstanding loan made under this subpart is subject to the reasonable interest rate, the
21 reasonable interest rate for the current fiscal year shall apply to such a loan during that
22 fiscal year without regard to the interest rate at the time of the loan's origination or the
23 interest rate at the time of the student's default.

24 (6) 'Title IV' means Title IV of the federal Higher Education Act of 1965, as amended,
25 20 U.S.C.A. Section 1070, et seq.

26 20-3-395.1.

27 (a) The authority is authorized to provide direct loans to students who are legal residents
28 of this state and who are not ineligible under Code Section 20-3-395.4 in accordance with
29 the provisions of this subpart and regulations of the authority promulgated to implement
30 this subpart.

31 (b) The interest rate for loans provided in accordance with this subpart shall be 1 percent
32 annually except as provided by Code Section 20-3-395.3 in the case of default.

33 (c) The repayment period for loans provided in accordance with this subpart shall be ten
34 years; provided, however, that, subject to the provisions of Code Section 20-3-395.3, the
35 commission may provide by regulation for deferral of payments and forbearance of
36 payments similar to deferral and forbearance under federal student loan programs.

1 (d) The maximum amount of a loan under this subpart shall be the lesser of: \$10,000.00
2 per calendar year; or the cost of attendance of a student minus the expected family
3 assistance and the estimated amount of the student's loans, grants, and scholarships,
4 including loans, grants, and scholarships provided under Title IV. Except as otherwise
5 provided in this subsection, each applicant for a loan shall be required to apply for other
6 educational assistance, including scholarships, grants, and state funded or Title IV loans,
7 and to provide information regarding such other applications and the result of such
8 applications as a condition of applying for a loan under this subpart. Loans under this
9 subpart are designed as funding of the last resort for students who have diligently sought
10 scholarships, grants, and state funded or Title IV loans. Applicants are not required to
11 apply for loans under Subpart 4B or Subpart 4C of this part as a condition of eligibility for
12 loans under this subpart.

13 (e) Eligibility for a loan under this subpart shall be determined annually. A student who
14 has graduated from an eligible high school shall be eligible for a loan for the first year of
15 attendance at an eligible postsecondary institution if the student graduated from an eligible
16 high school before May 1, 2007, with a cumulative grade average of at least a 75 numeric
17 average in his or her core curriculum subjects or if a student graduated from an eligible
18 high school on or after May 1, 2007, with a cumulative grade point average in the student's
19 core curriculum subjects of at least 2.5 on a 4.0 scale. A student's cumulative grade
20 average or grade point average shall be calculated by the methods set out in Code
21 Section 20-2-157. A student who has earned a cumulative grade point average of at least
22 2.0 at an eligible postsecondary institution shall be eligible for a loan for a second or a
23 subsequent year of attendance at an eligible postsecondary institution.

24 (f) A student's maximum total eligibility for loans under this subpart shall be limited to
25 \$40,000.00.

26 20-3-395.2.

27 (a) The authority shall establish and maintain a separate fund for loans in accordance with
28 this subpart to which shall be credited:

- 29 (1) State funds appropriated for use for loans under this subpart;
- 30 (2) Moneys received by gift, donation, or otherwise for loans under this subpart;
- 31 (3) Outstanding educational loans held by the authority under this subpart; and
- 32 (4) Principal and interest collected on educational loans held by the authority under this
33 subpart.

34 (b) Beginning with the first fiscal year following the fiscal year in which the fund has a
35 balance of \$500,000.00 or more, for each fiscal year, the authority shall determine the
36 amount of moneys available for loans under this subpart and shall determine the applicants

1 who are eligible to receive such loans. The authority shall determine which eligible
2 applicants receive loans by a random selection process in which each eligible applicant has
3 an equal chance of being selected for a loan.

4 (c) The authority shall be entitled to establish a reasonable fee for the processing and
5 collecting of loans made under this subpart. Such fee shall be established by the authority
6 by rule or regulation.

7 20-3-395.3.

8 (a) The authority shall by rule and regulation establish a repayment schedule or schedules
9 for loans made under this subpart. Students shall be required to pay accrued interest
10 annually on the loan or loans while attending a postsecondary institution except in cases
11 of financial hardship. Students shall not be required to begin the repayment of the principal
12 of such loans until the earliest occurrence of one of the following:

- 13 (1) The student completes his or her course of study;
- 14 (2) The student graduates from an eligible postsecondary institution;
- 15 (3) One calendar year after the student's eligibility for a loan under this subpart ends in
16 accordance with subsection (f) of Code Section 20-3-395.1; or
- 17 (4) The student has not been enrolled in an eligible postsecondary institution for two
18 academic quarters or two academic semesters.

19 (b) If the student defaults on the repayment of one or more loans under this subpart, the
20 interest rate for such loan or loans shall be converted to the reasonable interest rate as
21 defined in Code Section 20-3-395.

22 20-3-395.4.

23 A student is ineligible for any loan described in this subpart if the student:

- 24 (1) Is not a United States citizen or a permanent resident alien who meets the definition
25 of an eligible noncitizen under federal Title IV requirements;
- 26 (2) Has not complied with United States Selective Service System requirements for
27 registration, if such requirements are applicable to the student;
- 28 (3) Is in default on a federal Title IV educational loan or a State of Georgia educational
29 loan, provided that a student who is otherwise eligible and has fully repaid the defaulted
30 loan will be eligible to obtain a loan under this subpart for future academic terms but not
31 retroactively;
- 32 (4) Owes a refund on a federal Title IV student financial aid program or a Georgia
33 student financial aid program, provided that a student who is otherwise eligible and has
34 fully paid the refund owed will be eligible to obtain a loan under this subpart for future
35 academic terms but not retroactively;

1 (5) Has been convicted of a felony offense involving marijuana, a controlled substance,
 2 or a dangerous drug as set out in Code Section 20-1-23 or 20-1-24 of the 'Drug-free
 3 Postsecondary Education Act of 1990,' provided that such ineligibility extends from the
 4 date of conviction to the completion of the next academic term;

5 (6) Is incarcerated; or

6 (7) Does not meet each qualification listed in this subpart and applicable to the student."

7 **SECTION 3.**

8 Said chapter is further amended by adding a new subpart in Part 3 of Article 7 to read as
 9 follows:

10 "Subpart 4B

11 20-3-400.

12 This subpart shall be known and may be cited as the 'Graduate On Time Student Loan Act.'

13 20-3-400.1.

14 As used in this subpart, the term:

15 (1) 'Beginning date of a postsecondary course of study' means the first day of
 16 postsecondary classes attended by a student for credit toward an associate degree or
 17 baccalaureate degree. In the case of a program that includes undergraduate studies and
 18 is designed for completion within five years, the first day of such classes for credit in
 19 such a program is the beginning date of a postsecondary course of study, whether the
 20 program leads to a baccalaureate degree or a first professional degree. Advanced
 21 placement classes or classes attended under a program of joint or dual enrollment in a
 22 high school and a postsecondary institution do not establish the beginning date of a
 23 postsecondary course of study.

24 (2) 'Cost of attendance' of a student means the cost of attendance calculated in
 25 accordance with Title IV.

26 (3) 'Eligible high school' has the same meaning as set forth in Code Section 20-3-519.

27 (4) 'Eligible postsecondary institution' means:

28 (A) A unit of the University System of Georgia that offers associate degrees,
 29 baccalaureate degrees, or first professional degree programs; or

30 (B) An institution of higher education located in this state that offers associate degrees,
 31 baccalaureate degrees, or first professional degree programs; that is accredited by a
 32 regional accrediting agency recognized by the United States Department of Education;
 33 that is not a Bible school or college; that admits as regular students only persons who

1 have a high school diploma, a general educational development diploma, or a degree
 2 from an accredited postsecondary institution; and whose students are eligible to
 3 participate in the federal Pell Grant program.

4 (5) 'First professional degree' means a degree that qualifies a graduate to practice a
 5 profession and was earned through a first professional degree program.

6 (6) 'First professional degree program' means a professional degree program that meets
 7 the requirements established by the program regulations promulgated by the Georgia
 8 Student Finance Commission which, at a minimum, shall include, but not be limited to,
 9 the following:

10 (A) Accepts students after the completion of the sophomore or junior year; and

11 (B) Results in the award of a first professional degree.

12 (7) 'Graduate On Time Student Loan' or 'GOT Student Loan' means a student loan
 13 provided in accordance with the provisions of this subpart.

14 (8) 'Reasonable interest rate' means an interest rate no higher than the Wall Street Journal
 15 prime rate effective on July 1 for the fiscal year beginning July 1 of each year. Except
 16 for GOT Student Loans that have been reduced to an interest rate of 1 percent in
 17 accordance with subsection (e) of Code Section 20-3-400.2 or an interest rate of 2 percent
 18 in accordance with subsection (f) of Code Section 20-3-400.2, the reasonable interest rate
 19 for the fiscal year shall apply to all outstanding GOT Student Loans during that fiscal
 20 year without regard for the interest rate at the time of a loan's origination or at the time
 21 of the student's default.

22 (9) 'Title IV' means Title IV of the federal Higher Education Act of 1965, 20 U.S.C.
 23 Section 1070, et seq.

24 20-3-400.2.

25 (a) The authority is authorized to provide direct loans to students who are legal residents
 26 of this state and who are not ineligible under Code Section 20-3-400.6 in accordance with
 27 the provisions of this subpart and regulations of the authority promulgated to implement
 28 this subpart.

29 (b) The repayment period for a GOT Student Loan shall be ten years; provided, however,
 30 that, subject to the provisions of Code Section 20-3-400.5, the commission may provide
 31 by regulation for deferral of payments and forbearance of payments similar to deferral and
 32 forbearance under federal student loan programs. The maximum amount of a GOT Student
 33 Loan shall be the lesser of \$10,000.00 per calendar year or the cost of attendance for a
 34 calendar year minus the estimated amount of the student's loans, grants, and scholarships,
 35 including loans, grants, and scholarships provided under Title IV, for the calendar year for
 36 which such loan is sought.

1 (c) A student may apply for a GOT Student Loan annually. A student who is a legal
2 resident of this state and who has graduated from an eligible high school shall be eligible
3 for a GOT Student Loan for the first year of attendance at an eligible postsecondary
4 institution. Any student who is a legal resident of this state attending an eligible
5 postsecondary institution is eligible for a GOT Student Loan for the second and subsequent
6 years of attendance.

7 (d) Except as otherwise provided by subsection (e) or (f) of this Code section, the interest
8 rate for a GOT Student Loan shall be a reasonable interest rate as defined by paragraph (8)
9 of Code Section 20-3-400.1 and as established by the authority by rule or regulation.

10 (e) The annual interest rate for any GOT Student Loan shall be converted to 1 percent
11 retroactive to the origination date of the GOT Student Loan for each student who:

12 (1) Completes his or her course of study with a cumulative grade point average no lower
13 than 2.0 on a 4.0 scale and earns a baccalaureate degree within four years from the
14 beginning date of a course of postsecondary study; or

15 (2) Completes his or her course of study with a cumulative grade point average no lower
16 than 2.0 on a 4.0 scale and earns a baccalaureate or first professional degree within five
17 years from the beginning date of a course of postsecondary study if the course of
18 postsecondary study:

19 (A) Was designed to be completed in five years; and

20 (B) Meets the requirements for a first professional degree program; or

21 (C) If the course of postsecondary study includes undergraduate studies, leads to a
22 baccalaureate or first professional degree.

23 (f) The annual interest rate for any GOT Student Loan shall be converted to 2 percent
24 retroactive to the origination date of the GOT Student Loan for each student who:

25 (1) Completes his or her course of study with a cumulative grade point average no lower
26 than 2.0 on a 4.0 scale and earns a baccalaureate degree within five years from the
27 beginning date of a course of postsecondary study; or

28 (2) Completes his or her course of study with a cumulative grade point average no lower
29 than 2.0 on a 4.0 scale and earns a baccalaureate or first professional degree within six
30 years from the beginning date of a course of postsecondary study if the course of
31 postsecondary study:

32 (A) Was designed to be completed in six years; and

33 (B) Meets the requirements for a first professional degree program; or

34 (C) If the course of postsecondary study includes undergraduate studies, leads to a
35 baccalaureate or first professional degree.

36 (g) A student's maximum total eligibility for loans under this subpart shall be limited to
37 \$40,000.00.

1 20-3-400.3.

2 (a) When the annual interest rate is converted to 1 percent in accordance with
3 subsection (e) of Code Section 20-3-400.2, the authority shall recalculate the balance owed
4 on the loan to reflect the retroactive change in the interest rate.

5 (b) The steps of the recalculation required by subsection (a) of this Code section shall
6 include the following:

7 (1) Calculate the total interest paid by the student on the loan to date;

8 (2) Calculate the total principal paid by the student on the loan to date;

9 (3) Calculate the total of fees other than interest paid by the student on the loan to date;

10 (4) Calculate the current balance owed on the loan by subtracting the principal paid by
11 the student on the loan to date from the original amount borrowed;

12 (5) Calculate the amount of interest due on the loan from its origination to date at the rate
13 of 1 percent;

14 (6) Subtract the amount of interest due at 1 percent calculated in paragraph (5) of this
15 subsection from the total interest paid by the student to date calculated in paragraph (1)
16 of this subsection;

17 (7) Add the difference calculated in paragraph (6) of this subsection to the principal paid
18 by the student to date in paragraph (2) of this subsection; this sum shall become the new
19 total principal paid by the student on the loan; and

20 (8) Subtract the new principal paid calculated in paragraph (7) of this subsection from
21 the original amount borrowed by the student in this loan to produce the new balance
22 owed by the student on the loan.

23 (c) When the annual interest rate is converted to 2 percent in accordance with
24 subsection (f) of Code Section 20-3-400.2, the Student Finance Authority shall recalculate
25 the balance owed on the loan to reflect the retroactive change in the interest rate.

26 (d) The steps of the recalculation required by subsection (c) of this Code section shall
27 include the following:

28 (1) Calculate the total interest paid by the student on the loan to date;

29 (2) Calculate the total principal paid by the student on the loan to date;

30 (3) Calculate the total of fees other than interest paid by the student on the loan to date;

31 (4) Calculate the current balance owed on the loan by subtracting the principal paid by
32 the student on the loan to date from the original amount borrowed;

33 (5) Calculate the amount of interest due on the loan from its origination to date at the rate
34 of 2 percent;

35 (6) Subtract the amount of interest due at 2 percent calculated in paragraph (5) of this
36 subsection from the total interest paid by the student to date calculated in paragraph (1)
37 of this subsection;

1 (7) Add the difference calculated in paragraph (6) of this subsection to the principal paid
 2 by the student to date in paragraph (2) of this subsection; this sum shall become the new
 3 total principal paid by the student on the loan; and

4 (8) Subtract the new principal paid calculated in paragraph (7) of this subsection from
 5 the original amount borrowed by the student in this loan to produce the new balance
 6 owed by the student on the loan.

7 20-3-400.4.

8 (a) The authority shall establish and maintain a separate fund for loans in accordance with
 9 this subpart to which shall be credited:

10 (1) State funds appropriated for use for GOT Student Loans;

11 (2) Moneys received by gift, donation, or otherwise for GOT Student Loans;

12 (3) Outstanding GOT Student Loans held by the authority; and

13 (4) Principal and interest collected on GOT Student Loans held by the authority.

14 (b) Beginning with the first fiscal year following the fiscal year in which the fund has a
 15 balance of \$500,000.00 or more, for each fiscal year, the authority shall determine the
 16 amount of moneys available for loans under this subpart and shall determine which eligible
 17 applicants receive loans by a random selection process in which each eligible applicant has
 18 an equal chance of being selected for a loan.

19 (c) The authority shall be entitled to establish a reasonable fee for the processing and
 20 collecting of GOT Student Loans. Such fees shall be established by the authority by rule
 21 or regulation.

22 20-3-400.5.

23 (a) The authority shall by rule and regulation establish a repayment schedule or schedules
 24 for GOT Student Loans. Students shall be required to pay accrued interest annually while
 25 attending a postsecondary institution except in cases of financial hardship. Students shall
 26 not be required to begin the repayment of the principal of such loans until the earliest
 27 occurrence of one of the following:

28 (1) The student completes his or her course of study;

29 (2) The student graduates from an eligible postsecondary institution;

30 (3) One calendar year after the student's eligibility for a loan under this subpart ends in
 31 accordance with subsection (g) of Code Section 20-3-400.2; or

32 (4) The student has not been enrolled in an eligible postsecondary institution for two
 33 academic quarters or two academic semesters.

1 (b) If the student defaults on the repayment of one or more GOT loans, the interest rate for
 2 such loan or loans shall be converted to the reasonable interest rate as defined in Code
 3 Section 20-3-400.1.

4 20-3-400.6.

5 A student is ineligible for any loan described in this subpart if the student:

6 (1) Is not a United States citizen or a permanent resident alien who meets the definition
 7 of an eligible noncitizen under federal Title IV requirements;

8 (2) Has not complied with United States Selective Service System requirements for
 9 registration, if such requirements are applicable to the student;

10 (3) Is in default on a federal Title IV educational loan or a State of Georgia educational
 11 loan, provided that a student who is otherwise eligible and has fully repaid the defaulted
 12 loan will be eligible to obtain a loan under this subpart for future academic terms but not
 13 retroactively;

14 (4) Owes a refund on a federal Title IV student financial aid program or a Georgia
 15 student financial aid program, provided that a student who is otherwise eligible and has
 16 fully paid the refund owed will be eligible to obtain a loan under this subpart for future
 17 academic terms but not retroactively;

18 (5) Has been convicted of a felony offense involving marijuana, a controlled substance,
 19 or a dangerous drug as set out in Code Section 20-1-23 or 20-1-24 of the 'Drug-free
 20 Postsecondary Education Act of 1990,' provided that such ineligibility extends from the
 21 date of conviction to the completion of the next academic term;

22 (6) Is incarcerated; or

23 (7) Does not meet each qualification listed in this subpart and applicable to the student."

24 **SECTION 4.**

25 Said chapter is further amended by adding a new subpart in Part 3 of Article 7 to read as
 26 follows:

27 "Subpart 4C

28 20-3-405.

29 This subpart shall be known and may be cited as the 'Education for Public Service Student
 30 Loan Act.'

31 20-3-405.1.

32 As used in this subpart, the term:

- 1 (1) 'Cost of attendance' of a student means the cost of attendance calculated in
2 accordance with Title IV.
- 3 (2) 'Education for Public Service Student Loan' or 'EPS Student Loan' means a student
4 loan provided in accordance with the provisions of this subpart.
- 5 (3) 'Eligible high school' has the same meaning as set forth in Code Section 20-3-519.
- 6 (4) 'Eligible postsecondary institution' means:
- 7 (A) A unit of the University System of Georgia that offers associate degrees,
8 baccalaureate degrees, or graduate degrees; or
- 9 (B) An institution of higher education located in this state that offers associate degrees,
10 baccalaureate degrees, or graduate degrees; that is accredited by a regional accrediting
11 agency recognized by the United States Department of Education; that is not a Bible
12 school or college; that admits as regular students only persons who have a high school
13 diploma, a general educational development diploma, or a degree from an accredited
14 postsecondary institution; and whose students are eligible to participate in the federal
15 Pell Grant program.
- 16 (5) 'Employee' means an individual who receives an Internal Revenue Service Form W-2
17 from the employer and who is an employee as defined in Code Section 34-9-1 for
18 purposes of workers' compensation.
- 19 (6) 'First degree' means the first baccalaureate degree or the first graduate degree
20 completed by a student with the assistance of an EPS Student Loan.
- 21 (7) 'Graduate degree' means a degree earned after a student has earned a baccalaureate
22 degree, including, but not limited to, a master's degree, a juris doctor degree, or a medical
23 doctor degree.
- 24 (8) 'Public service' means service as an employee of any of the following: the State of
25 Georgia; an agency or instrumentality of this state; the executive, legislative, or judicial
26 branch of government of this state; a political subdivision of this state; the University
27 System of Georgia or any unit of the university system; an authority or public corporation
28 of this state; a local board of education of this state; or an agency or instrumentality of
29 a political subdivision of this state.
- 30 (9) 'Reasonable interest rate' means an interest rate no higher than the Wall Street Journal
31 prime rate effective on July 1 for the fiscal year beginning July 1 of each year. The
32 reasonable interest rate for the fiscal year shall apply to all outstanding EPS Student
33 Loans during that fiscal year without regard for the interest rate at the time of a loan's
34 origination or at the time of the student's default, except for EPS Student Loans that:
- 35 (A) Have been converted to 1 percent interest loans in accordance with subsection (a)
36 of Code Section 20-3-405.3; and

1 (B) Have been converted to interest-free loans in accordance with subsection (b) of
2 Code Section 20-3-405.3.

3 (10) 'Second degree' means the second degree completed by a student with the assistance
4 of an EPS Student Loan.

5 (11) 'Title IV' means Title IV of the federal Higher Education Act of 1965, 20 U.S.C.
6 Section 1070, et seq.

7 (12) 'Undergraduate degree' means a baccalaureate degree.

8 20-3-405.2.

9 (a) The authority is authorized to provide direct loans to students who are legal residents
10 of this state and who are not ineligible under Code Section 20-3-405.7 in accordance with
11 the provisions of this subpart and regulations of the authority promulgated to implement
12 this subpart.

13 (b) The repayment period for an EPS Student Loan shall be ten years; provided, however,
14 that, subject to the provisions of Code Section 20-3-405.6, the commission may provide
15 by regulation for deferral of payments and forbearance of payments similar to deferral and
16 forbearance under federal student loan programs. The maximum amount of an EPS
17 Student Loan shall be the lesser of \$10,000.00 or the cost of attendance for a calendar year
18 minus the estimated amount of the student's loans, grants, and scholarships, including
19 loans, grants, and scholarships provided under Title IV, for the calendar year for which
20 such loan is sought. The maximum amount of EPS Student Loans for a degree shall be
21 \$10,000.00 times the number of academic years required for a full-time student to earn the
22 degree.

23 (c) A student may apply for an EPS Student Loan annually. A student who is a legal
24 resident of this state and who has graduated from an eligible high school shall be eligible
25 for an EPS Student Loan for the first year of attendance at an eligible postsecondary
26 institution. Any student who is a legal resident of this state attending an eligible
27 postsecondary institution is eligible for an EPS Student Loan for the second and subsequent
28 years of attendance. A student who is otherwise eligible for an EPS Student Loan is
29 eligible for such a loan for expenses as a student seeking an associate degree, baccalaureate
30 degree, and a graduate degree.

31 (d) Except as otherwise provided by subsections (a) and (b) of Code Section 20-3-405.3,
32 the interest rate for an EPS Student Loan shall be a reasonable interest rate as defined by
33 paragraph (9) of Code Section 20-3-405.1 and as established by the authority by rule or
34 regulation.

1 (e) The promissory note signed for each EPS Student Loan shall include a statement of the
2 requirements a student must meet for conversion of the loan to a 1 percent loan and for
3 conversion of the loan to an interest-free loan.

4 20-3-405.3.

5 (a) Subject to the provisions of Code Section 20-3-405.4, the annual interest rate for any
6 EPS Student Loan shall be converted to 1 percent retroactive to the origination date of the
7 EPS Student Loan for each student who:

8 (1) Completes his or her course of study and earns the degree with a cumulative grade
9 point average no lower than 2.0 on a 4.0 scale; and

10 (2) Completes the number of years of public service required by this paragraph:

11 (A) If a student has earned one degree with the assistance of one or more EPS Student
12 Loans, the annual interest rate for each such EPS Student Loan shall be converted to
13 1 percent after the completion of five years of public service; or

14 (B) In the case of a student who has earned two degrees with the assistance of two or
15 more EPS Student Loans, the interest rate for any EPS Student Loan used for the first
16 degree shall be converted to 1 percent after the student has completed five years of
17 public service. The interest rate for any EPS Student Loan used for the second degree
18 may be converted to 1 percent after the student has completed ten years of public
19 service, or the student may elect to apply the sixth through tenth years of public service
20 to convert the EPS Student Loans used for the first degree to interest-free loans under
21 subsection (b) of this Code section.

22 In the case of a student whose public service preceded the student's earning of the degree,
23 the conversion of the EPS loans to 1 percent shall be on the date the student earns the
24 degree.

25 (b) Subject to the provisions of Code Section 20-3-405.4, an EPS Student Loan for the first
26 degree may be converted to an interest-free loan retroactive to the origination date of the
27 EPS Student Loan for each student who:

28 (1) Completes his or her course of study and earns the degree with a cumulative grade
29 point average no lower than 2.0 on a 4.0 scale; and

30 (2) Completes the number of years of public service required by this paragraph, and for
31 conversion of one or more EPS Student Loans, completes five years of public service in
32 addition to:

33 (A) The service required by subparagraph (A) of paragraph (2) of subsection (a) of
34 this Code section, for a total of ten years of public service, if the student earned one
35 degree with the assistance of EPS Student Loans, or the student may elect to apply the

1 fifth through tenth years of public service to conversion of EPS loans for a second
2 degree to 1 percent loans; or

3 (B) The service required by subparagraph (B) of paragraph (2) of subsection (a) of this
4 Code section, for a total of 15 years of public service, to convert the loan or loans for
5 the second degree if the student earned two degrees with the assistance of EPS Student
6 Loans.

7 In the case of a student whose public service preceded the student's earning of the degree,
8 the conversion of the EPS loans to interest-free loans shall be on the date the student
9 earns the degree.

10 (c) When the annual interest rate is converted to 1 percent in accordance with
11 subsection (a) of this Code section, the authority shall recalculate the balance owed on the
12 loan to reflect the retroactive change in the interest rate.

13 (d) The steps of the recalculation required by subsections (a) and (c) of this Code section
14 shall include the following:

15 (1) Calculate the total interest paid by the student on the loan to date;

16 (2) Calculate the total principal paid by the student on the loan to date;

17 (3) Calculate the total of fees other than interest paid by the student on the loan to date;

18 (4) Calculate the current balance owed on the loan by subtracting the principal paid by
19 the student on the loan to date from the original amount borrowed;

20 (5) Calculate the amount of interest due on the loan from its origination to date at the rate
21 of 1 percent;

22 (6) Subtract the amount of interest due at 1 percent calculated in paragraph (5) of this
23 subsection from the total interest paid by the student to date calculated in paragraph (1)
24 of this subsection;

25 (7) Add the difference calculated in paragraph (6) of this subsection to the principal paid
26 by the student to date in paragraph (2) of this subsection; this sum shall become the new
27 total principal paid by the student on the loan; and

28 (8) Subtract the new principal paid calculated in paragraph (7) of this subsection from
29 the original amount borrowed by the student in this loan to produce the new balance
30 owed by the student on the loan. If the new principal paid calculated in paragraph (7) of
31 this subsection equals or exceeds the original amount borrowed by the student in this
32 loan, the new balance is zero.

33 (e) When an EPS Student Loan is converted to an interest-free loan in accordance with
34 subsection (b) of this Code section, the authority shall recalculate the balance owed on the
35 loan to reflect the retroactive change in the interest rate. This recalculation shall be based
36 upon the loan as it exists when it is converted to an interest-free loan.

1 (f) The steps of the recalculation required by subsections (b) and (e) of this Code section
2 shall include the following:

3 (1) Calculate the total interest paid by the student on the loan to date;

4 (2) Calculate the total principal paid by the student on the loan to date;

5 (3) Calculate the total of fees other than interest paid by the student on the loan to date;

6 (4) Calculate the current balance owed on the loan by subtracting the principal paid by
7 the student on the loan to date from the original amount borrowed;

8 (5) Add the amount of interest calculated in paragraph (1) of this subsection to the
9 principal paid by the student to date in paragraph (2) of this subsection; this sum shall
10 become the new total principal paid by the student on the loan; and

11 (6) Subtract the new principal paid calculated in paragraph (5) of this subsection from
12 the original amount borrowed by the student in this loan to produce the new balance
13 owed by the student on the loan. If the new principal paid calculated in paragraph (5) of
14 this subsection equals or exceeds the original amount borrowed by the student in this
15 loan, the new balance is zero.

16 20-3-405.4.

17 When a student meets the requirements for conversion of one or more EPS loans to a
18 1 percent rate or to an interest-free loan or loans, the student may elect to waive the
19 conversion of the EPS loan or loans for that degree and apply all or part of the student's
20 years of completed public service to one or more EPS loans for a subsequent degree,
21 without regard to whether such EPS loan or loans for a subsequent degree exist at the time
22 of the student's election. In any event, each year of completed public service may be
23 applied only to a single degree and the student is not authorized to change an election after
24 notifying the authority in writing of his or her election.

25 20-3-405.5.

26 (a) The authority shall establish and maintain a separate fund for loans in accordance with
27 this subpart to which shall be credited:

28 (1) State funds appropriated for use for EPS Student Loans;

29 (2) Moneys received by gift, donation, or otherwise for EPS Student Loans;

30 (3) Outstanding EPS Student Loans held by the authority; and

31 (4) Principal and interest collected on EPS Student Loans held by the authority.

32 (b) Beginning with the first fiscal year following the fiscal year in which the fund has a
33 balance of \$500,000.00 or more, for each fiscal year, the authority shall determine the
34 amount of moneys available for loans under this subpart and shall determine which eligible

1 applicants receive loans by a random selection process in which each eligible applicant has
2 an equal chance of being selected for a loan.

3 (c) The authority shall be entitled to establish a reasonable fee for the processing and
4 collecting of EPS Student Loans. Such fees shall be established by the authority by rule
5 or regulation.

6 20-3-405.6.

7 (a) The authority shall by rule and regulation establish a repayment schedule or schedules
8 for EPS Student Loans. Students shall be required to pay accrued interest annually on the
9 loan or loans while attending a postsecondary institution except in cases of financial
10 hardship. Students shall not be required to begin the repayment of the principal of such
11 loans until the earliest occurrence of one of the following:

- 12 (1) The student completes his or her course of study;
- 13 (2) The student graduates from an eligible postsecondary institution;
- 14 (3) A calendar year has passed since the student borrowed the maximum amount of EPS
15 loans for the degree the student is seeking under subsection (b) of Code
16 Section 20-3-405.2; or
- 17 (4) The student has not been enrolled in an eligible postsecondary institution for two
18 academic quarters or two academic semesters.

19 (b) If the student defaults on the repayment of one or more EPS loans, the interest rate for
20 such loan or loans shall be converted to the reasonable interest rate as defined in Code
21 Section 20-3-405.1.

22 20-3-405.7.

23 A student is ineligible for any loan described in this subpart if the student:

- 24 (1) Is not a United States citizen or a permanent resident alien who meets the definition
25 of an eligible noncitizen under federal Title IV requirements;
- 26 (2) Has not complied with United States Selective Service System requirements for
27 registration, if such requirements are applicable to the student;
- 28 (3) Is in default on a federal Title IV educational loan or a State of Georgia educational
29 loan, provided that a student who is otherwise eligible and has fully repaid the defaulted
30 loan will be eligible to obtain a loan under this subpart for future academic terms but not
31 retroactively;
- 32 (4) Owes a refund on a federal Title IV student financial aid program or a Georgia
33 student financial aid program, provided that a student who is otherwise eligible and has
34 fully paid the refund owed will be eligible to obtain a loan under this subpart for future
35 academic terms but not retroactively;

1 (5) Has been convicted of a felony offense involving marijuana, a controlled substance,
2 or a dangerous drug as set out in Code Section 20-1-23 or 20-1-24 of the 'Drug-free
3 Postsecondary Education Act of 1990,' provided that such ineligibility extends from the
4 date of conviction to the completion of the next academic term;

5 (6) Is incarcerated; or

6 (7) Does not meet each qualification listed in this subpart and applicable to the student."

7 **SECTION 5.**

8 Said chapter is further amended by adding a new subpart in Part 3 of Article 7 to read as
9 follows:

10 "Subpart 4D

11 20-3-409.

12 (a) Each Georgia income tax return form for taxable years beginning on or after January 1,
13 2008, shall contain appropriate language, to be determined by the state revenue
14 commissioner, offering the taxpayer the opportunity to contribute to the funds established
15 for student loans by Code Sections 20-3-395.2, 20-3-400.4, and 20-3-405.5 by either
16 donating all or any part of any tax refund due and by authorizing a reduction in the refund
17 check otherwise payable, or by contributing any amount over and above any amount of tax
18 owed by adding that amount to the taxpayer's payment. The instructions accompanying
19 the income tax return shall include a description of the purposes for which these funds were
20 established and the intended use of moneys received from the contributions, and shall
21 explain that any donation will be evenly divided between the three funds. Each taxpayer
22 required to file a state income tax return who desires to contribute to these funds may
23 designate such contribution as provided on the appropriate income tax return form.

24 (b) The Department of Revenue shall determine annually the total amount so contributed,
25 and shall transmit such amount to the authority for even division among and deposit in the
26 funds established by Code Sections 20-3-395.2, 20-3-400.4, and 20-3-405.5."

27 **SECTION 6.**

28 Said chapter is further amended by adding a new subpart in Part 3 of Article 7 to read as
29 follows:

"Subpart 6A

20-3-440.

The General Assembly finds that it is essential for the national defense that persons be encouraged to consider military leadership positions as an honorable and rewarding profession and that North Georgia College and State University, Georgia's only state supported military college, plays a significant role in preparing and training students for professional life in the military as a profession. It is the purpose of the General Assembly, as provided for in this subpart, to encourage students to enroll in North Georgia College and State University and its military training program and to encourage such students to accept military commissions by providing for tuition grant assistance to such students.

20-3-441.

For purposes of this subpart, the term 'eligible student' shall mean a person who:

- (1) Is enrolled in or accepted for enrollment in North Georgia College and State University for a minimum of 12 academic hours;
- (2) Is or will be a citizen of this state for a period of at least 12 months immediately prior to the date of registration therein;
- (3) Is enrolled in or plans to enroll in the Army Reserve Officers' Training Corps program at North Georgia College and State University; and
- (4) Has signed a contract to accept a commission, to be effective upon graduation, no later than the end of the student's junior year as an officer in any branch of the armed services of the United States or the Army National Guard.

20-3-442.

There is granted to each eligible student attending North Georgia College and State University the sum of \$1,500.00 per academic semester.

20-3-443.

Each eligible student wishing to receive the grant provided for in this subpart shall submit to North Georgia College and State University an application for the grant payment at the time and in accordance with procedures prescribed by the authority. The authority is authorized to define such terms and prescribe such rules, regulations, and procedures as may be reasonable and necessary to carry out the purposes of this subpart. The authority shall not approve payment of any grant until it has received from an appropriate officer of North Georgia College and State University a certification that the student applying for the grant is an eligible student. Upon timely receipt of such certification, in proper form, the

1 authority is authorized to pay the grant to North Georgia College and State University on
2 behalf of and to the credit of the student. In the event a student on whose behalf a grant is
3 paid shall not enroll as a full-time student for the school term for which the grant is paid,
4 North Georgia College and State University shall make a refund to the authority in
5 accordance with regulations of the authority.

6 20-3-444.

7 In the event funds available to the authority are not sufficient to enable the authority to pay
8 on behalf of eligible students the full grant prescribed by the General Assembly, grants
9 payable for the remaining school terms shall be reduced by the authority on a pro rata basis.

10 20-3-445.

11 North Georgia College and State University shall be subject to examination by the state
12 auditor for the sole purpose of determining whether the school has properly certified
13 eligibility and enrollment of students and credited grants paid on behalf of such students.
14 However, nothing in this subpart shall be construed to interfere with the authority of the
15 school to determine admissibility of students or to control its own curriculum, philosophy,
16 purpose, or administration. In the event it is determined that the school knowingly or
17 through error certified an ineligible student to be eligible for a grant under this subpart, the
18 amount of the grant paid to the school pursuant to such certification shall be refunded by
19 the school to the authority.

20 20-3-446.

21 Any person who knowingly makes or furnishes any false statement or misrepresentation
22 or who accepts such statement or misrepresentation knowing it to be false for the purpose
23 of enabling an ineligible student to obtain wrongfully a grant under this subpart shall be
24 guilty of a misdemeanor."

25 **SECTION 7.**

26 All laws and parts of laws in conflict with this Act are repealed.