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**Action/Information Item*****California Student Aid Commission*****Consideration of starting the Regular Rulemaking Process for the National Guard Assumption Program of Loans for Education (NG-APLE) Regulations**

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On July 1, 2006, the California Legislature authorized 100 awards for the National Guard Assumption Program of Loans for Education (NG-APLE). The California Student Aid Commission (CSAC) is required by California Education Code 69751 to adopt rules and regulations for the purpose of administering the NG-APLE. The regulations must be adopted within six months of the effective date of the initial appropriation of funding the program (July 1, 2006) to process 100 awards for the 2006-2007 academic year.

The NG-APLE is a loan assumption program established to provide an incentive for persons to enlist or reenlist in the National Guard, the State Military Reserve, or the Naval Militia who seek degrees at institutions of higher education in California or vocational diploma programs. CSAC staff will commence loan assumption payments after a participant has provided a qualifying year of military service.

During July 2006, CSAC staff consulted with the California Military Department staff to begin the process of drafting the proposed NG-APLE regulations. On August 4, 2006, CSAC staff provided the proposed draft NG-APLE regulations to the Grant Advisory Committee (GAC) for their review and input. CSAC staff incorporated recommendations made by the GAC members at the August 4, 2006 meeting and shared the revised draft regulations with stakeholders at the August 8, 2006 NG-APLE Stakeholders Meeting, hosted by the CSAC. CSAC staff gathered feedback and recommendations from the stakeholders, which included representatives from the California Military Department and postsecondary institutions. After consultation with the GAC and stakeholders, CSAC staff developed proposed NG-APLE regulations designed to implement the new program.

The text of the draft proposed regulations for the NG-APLE are enclosed for your consideration.

***Recommended Action:*** Authorize staff to take the necessary steps and prepare all required documents to complete the regulatory process.

***Responsible Staff:***

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**CALIFORNIA STUDENT AID COMMISSION  
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**AMENDMENT TO TITLE 5, DIVISION 4, CHAPTER 1, CA CODE OF REGULATIONS  
REGARDING IMPLEMENTATION OF NATIONAL GUARD ASSUMPTION PROGRAM OF  
LOANS FOR EDUCATION (Educ. Code §§ 69750-69751.8)**

*Article 14.5. National Guard Assumption Program of Loans for Education*

*Section 30710. Definitions*

(a) *“Contingency operation” means the current Iraq or Afghanistan operations, the Gulf War; or other operations or national emergencies, as declared by the President or Congress.*

(b) *“Half-time basis” means half-time enrollment at an institution of higher education.*

(c) *“Institution of higher education” means a post-secondary educational institution that has a location in California.*

(d) *“Program” means the National Guard Assumption Program of Loans for Education established in Article 12.5 (commencing with Section 69750) of Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code and as set forth in this Article.*

(e) *“Program participant” means a person who has a loan assumption agreement signed by both the person and the Commission.*

(f) *“Qualified vocational diploma program” means an educational program as defined in Section 94746 of the Education Code, with a location in California, having all of the following characteristics:*

- (1) The educational program consists of a job-training program or other instruction, training, or education that the institution represents will lead to, fit, or prepare students for employment in any occupation.*
- (2) The program is offered to students who do not possess a bachelor’s or graduate degree in the field of training.*
- (3) Students who complete all or a portion of the program are awarded a diploma, certificate, or occupational associate degree.*

(g) *“Qualifying member” means a person, as defined in Section 66025.6 (a) of the Education Code, who:*

- (1) has residence, pursuant to Article 5 (commencing with Section 68060) of Chapter 1, part 41, Division 5, Title 3 of the Education Code, in this state for at least one year immediately preceding the date of application to the program;
- (2) is currently an active member of, and has satisfactorily served for at least one year in the California National Guard, the State Military Reserve or the Naval Militia, and maintains satisfactory service throughout the period that his or her student loan payments are assumed through the program; and
- (3) has completed a baccalaureate degree, or is currently enrolled and in good standing in a program of instruction, on at least a half-time basis, at an institution of higher education, or is enrolled in or has completed a program of instruction in a qualified vocational diploma program where enrollment qualifies a student for participation in the Federal Family Education Loan Program or any loan program approved by the Commission.

(h) "Satisfactory service" means satisfactory performance as defined by the statewide Office of the Adjutant General.

Note: Authority cited: Section 69751, Education Code. Reference: Sections 66025.6(a)(2), 69750, 94746, Education Code.

#### Section 30711. Application to Participate in the Program

(a) Applications to participate in the program shall be submitted to the Office of the Adjutant General prior to the deadline published by the Commission for that academic year, and shall include the following information regarding the applicant:

- (1) Last name, first name and middle initial;
- (2) Social Security number;
- (3) Address and telephone number;
- (4) Date of birth;
- (5) Ethnicity;
- (6) Gender;
- (7) E-mail address, if available;
- (8) a copy of the federal Student Aid Report (SAR) generated by the United States Department of Education based upon the applicant's Free Application for Federal Student Aid (FAFSA) with an Expected Family Contribution (EFC) for the academic year in which the applicant applies to the program. Verification of information provided in the FAFSA and used to calculate the EFC may be requested by the Commission as necessary. Failure to provide verification in a timely manner, if requested, may result in disqualification from consideration for the program.
- (9) identification of membership in specific eligible military unit under the California National Guard.
- (10) name of institution of higher education or qualified vocational diploma program in which applicant is enrolled within California, and the institution's six-digit Federal school code.

(11) a copy of active duty orders.

(12) written verification from an institution of higher education that the applicant is enrolled on at least a half-time basis or a qualified vocational diploma program that the applicant is enrolled;

(13) certification from the Office of the Adjutant General that the applicant has agreed to enlist or reenlist in the National Guard, the State Military Reserve, or the Naval Militia; and

(14) The name of lender(s), loan identification number(s), and current balance(s) of a loan or loans the applicant has received, or has been approved to receive, in order to meet the costs of obtaining a degree at an institution of higher education or to complete a qualified vocational diploma program, under one or more of the following designated loan programs:

(i) the Federal Family Education Loan Program (20 U.S.C. Sec. 1071 et seq.);

(ii) the Federal Direct Loan Program (20 U.S.C. Sec. 1087b et seq.);

(iii) any loan program approved by the Commission on a case by case basis but not including lines of credit, home equity loans, credit card debt, and other general consumer loans, business loans, personal loans, or mortgages.

(b) The application shall state that by signing, the applicant agrees that, if requested, the applicant will provide information or documentation to verify the accuracy of the information included in the application, and the applicant understands that failure to provide accurate and complete information as requested may result in disqualification from the program and loss of program benefits. The application shall be dated and signed by the student under penalty of perjury under the laws of the State of California.

Note: Authority cited: Section 69751, Education Code. Reference: Sections 66025.6, 69750.3, 69751.2, 69751.3, Education Code.

#### Section 30712. Nominations by the Office of the Adjutant General

The Office of the Adjutant General may nominate any applicant who has submitted an application to participate in the program that meets the requirements of Section 30711 by submitting all of the following information to the Commission:

(a) the applicant's complete application, including the applicant's SAR;

(b) the Office of the Adjutant General's certification that the applicant has agreed to enlist or reenlist in the National Guard, the state Military Reserve, or the Naval Militia; and

(c) the Office of the Adjutant General's certification of the applicant's active duty status and corresponding score pursuant to Section 30714(b).

Note: Authority cited: Section 69751, Education Code. Reference: Sections 66025.6(c), 69750.3, 69751.2, Education Code.

#### Section 30713. Award Process

The Commission shall select program participants from among the applicants who are nominated pursuant to Section 30712. If the maximum allocation of warrants authorized for that year is not exhausted after the selection process is completed, the Commission

may continue to accept nominations and select program participants based on the date the nominations are received by the Commission. The Commission may continue to select participants until the maximum allocation is reached.

Note: Authority cited: Section 69751 Education Code. Reference: Section 69751.8 Education Code.

Section 30714. Applicant Priority

(a) If the Commission determines in any fiscal year that the funding for the program is insufficient to allow the Commission to enter into loan assumption agreements with all eligible applicants who are nominated, the Commission shall select applicants for participation in the program by giving priority to:

(1) Individuals who are financially needy, as indicated by a household income and asset level that is at or below the maximum established in Education Code Section 69432.7 for participants in the Cal Grant A program; and

(2) Individuals who have been called to full-time active military duty.

(b) Individuals determined by the Commission to be financially needy will be awarded points using the Cal Grant A scoring methodology for family income and household size, up to a maximum of 76 points. Individuals called to active duty will be awarded active duty service points, based on the highest point category that the applicant qualifies under, as follows:

ACTIVE DUTY SERVICE	POINTS
An enlisted California National Guard member who has served or is currently serving on federal active duty under Title 10 or Title 32, U.S.C. for a period of not less than 11 consecutive months under a contingency operation	76
A commissioned officer or warrant officer of the California National Guard who has served or is serving on federal active duty under Title 10 or Title 32, U.S.C. for a period of not less than 11 consecutive months under a contingency operation.	70
An enlisted California National Guard member who has served or is currently serving on federal active duty under Title 10 or Title 32, U.S.C. for a period of not less than 5 consecutive months under a contingency operation.	66
A commissioned officer or warrant officer of the California National Guard who has	60

served or is serving on federal active duty under Title 10 or Title 32, U.S.C. for a period of not less than 5 consecutive months under a contingency operation.	
Any California National Guard, State Military Reserve or Naval Militia member, enlisted or officer, who has served on State Active Duty pursuant to Military and Veterans Code §143 or §146 for no less than 30 consecutive days.	56
Any current member of the California National Guard, State Military Reserve or Naval Militia who is satisfactorily attending unit drill and training assemblies.	50

*(c) The Commission will select nominees with the highest point totals until the authorized funding is exhausted. In the case of a tie in the total number of points, the Commission will select nominees based on the earliest date of receipt of the nomination by the Commission.*

*Note: Authority cited: Section 69751, Education Code. Reference: Section 69751.2, Education Code.*

**Section 30715. Loan Assumption Agreements**

*(a) The Commission shall provide a loan assumption agreement to each nominated applicant selected by the Commission to be a program participant. The loan assumption agreement shall be effective when both the program participant and the Commission have signed the agreement.*

*(b) The loan assumption agreement shall include the following:*

*(1) The program participant shall agree to:*

*(i) maintain satisfactory service in the California National Guard, State Military Reserve or the Naval Militia throughout the period that he or she participates in the program*  
*(ii) be enrolled in an institution of higher education, on at least a half-time basis each academic term, or in a qualified vocational diploma program, and in good standing in such institution or program, through completion of academic requirements for a degree or completion of the vocational diploma program. If participant completes a degree or vocational diploma program during the term of the agreement, he or she is not required to maintain enrollment for the remaining qualifying year(s) of service to receive loan assumption benefits.*

*(iii) provide four consecutive years of satisfactory service in the National Guard, the State Military Reserve, or the Naval Militia;*

*(iv) authorize the institution of higher education or qualified vocational diploma program in which the applicant is enrolled, the Office of the Adjutant General, and lenders to*

provide information requested by the Commission for the purposes of administering the loan assumption agreement;

(v) provide information required by the Commission for the purposes of administering the loan assumption agreement; and

(vi) to comply with all applicable laws and regulations applicable to the program.

(2) The Commission shall agree that:

(i) upon receipt of information required by Section 30716, including the certification of the Office of the Adjutant General that the program participant has completed one year of service or in the case of a participant who is eligible because he or she has agreed to reenlist one year of additional service, as a qualifying member within the meaning of Section 66025.6 of the Education Code, the Commission shall assume, subject to the requirements of Section 69750.7 of the Education Code, up to two thousand dollars (\$2,000) of the outstanding liability of the participant under one or more of the designated loan programs;

(ii) upon receipt of the information required by Section 30716, including certification by the Office of the Adjutant General that the program participant has completed two consecutive years of service or in the case of a participant who is eligible because he or she has agreed to reenlist two consecutive years of additional service, as a qualifying member within the meaning of Section 66025.6 of the Education Code, the Commission shall assume, subject to the terms of Section 69750.7 of the Education Code, up to an additional three thousand dollars (\$3,000) of the outstanding liability of the participant under one or more of the designated loan programs, for a total loan assumption of up to five thousand dollars (\$5,000); and

(iii) upon receipt of the information required by Section 30716, including certification by the Office of the Adjutant General that the program participant has completed three consecutive years of service or in the case of a participant who is eligible because he or she has agreed to reenlist three consecutive years of additional service, as a qualifying member within the meaning of Section 66025.6 of the Education Code, the Commission shall assume, subject to the terms of Section 69750.7 of the Education Code, up to an additional three thousand dollars (\$3,000) of the outstanding liability of the participant under one or more of the designated loan programs, for a total loan assumption of up to eight thousand dollars (\$8,000).

(iv) upon receipt of the information required by Section 30716, including certification by the Office of the Adjutant General that the program participant has completed four consecutive years of service or in the case of a participant who is eligible because he or she has agreed to reenlist four consecutive years of additional service, as a qualifying member within the meaning of Section 66025.6 of the Education Code, the Commission shall assume, subject to the terms of Section 69750.7 of the Education Code, up to an additional three thousand dollars (\$3,000) of the outstanding liability of the participant under one or more of the designated loan programs, for a total loan assumption of up to eleven thousand dollars (\$11,000).

(c) The term of the loan assumption agreement shall be no more than six (6) years from the date signed by the program participant and the Commission.

(d) The loan assumption agreement shall constitute a conditional warrant that may be redeemed with the Commission as specified in Section 30716.

Note: Authority cited: Section 69751, Education Code. Reference: Sections 66025.6, 69750.3, 69750.5, 69750.7, Education Code

### Section 30716. Loan Payments

(a) A program participant may redeem the conditional warrant and the Commission shall make loan payments, pursuant to the loan assumption agreement and as provided in subsection (b), when the Commission has received the following information for each qualifying year of service for which payment is to be made:

- (1) from each lending institution, for each loan that qualifies for the assumption under the program and the loan assumption agreement:
  - (i) program participant's name and social security number;
  - (ii) account number;
  - (iii) interest rate;
  - (iv) disbursement date;
  - (v) payoff amount as of June 30;
  - (vi) lending institution/servicer name;
  - (vii) lending institution/servicer eight-digit identification code;
  - (viii) address to which payment is to be sent;
  - (ix) a signature of the lending institution official under penalty of perjury of the laws of the state of California certifying that this loan information is correct;
  - (x) printed name, telephone number and email address of the lending institution official;
- (2) from the Office of the Adjutant General, certification that the program participant completed the year of satisfactory service required for a loan assumption payment to be made;
- (3) From the institution of higher education or qualified vocational diploma program, verification of enrollment status for the academic year corresponding with the year of military service or verification that participant has completed the vocational diploma program or a degree.

(b) Loan payments made by the Commission shall be made by lump-sum payment to the lender, to be applied directly to the principal balance, if not otherwise prohibited by applicable law or by the terms of the loan agreement between the program participant and the lender. Payments shall first be made toward loans with the highest interest rates. The program participant shall continue to make payments as required under the terms of the loans to avoid defaulting on those loans, until notified by the lenders or loan servicers that the loans are paid in full.

Note: Authority cited: Section 69751, Education Code. Reference: Sections 69750.5, 69750.7 Education Code.

*Section 30717. Failure to Comply with the Loan Assumption Agreement*

*(a) A program participant who fails to comply with the terms of the loan assumption agreement, including but not limited to failing to maintain half-time enrollment in an institution of higher education or failure to maintain enrollment in a vocational diploma program, unless granted an academic leave of absence for active duty, or unless the participant completes a degree or completes the vocational diploma program; failure to remain in good standing; or failure to complete one of the four consecutive years of military service; shall be withdrawn from the program. The program participant shall retain responsibility to continue to make any payments required under the terms of any outstanding loans to avoid defaulting on those loans.*

*(b) A program participant who is entitled to an academic leave of absence because he or she is on active duty, pursuant to Section 66025.6 of the Education Code, shall retain responsibility to continue to make any payments required under the terms of any outstanding loans to avoid defaulting on these loans.*

*Note: Authority cited: Section 69751, Education Code. Reference: Sections 66025.6, 69750.7, 69751 Education Code.*

*Section 30718. Development of Projections for Funding Purposes*

*The Commission shall use the number of active program participants at the end of each year and their application dates and number of years in the program to project the funding level required to provide loan payments under the program.*

*Note: Authority cited: Section 69751, Education Code. Reference: Section 69751(a), Education Code.*