

**ARKANSAS TEACHER HOUSING DEVELOPMENT FOUNDATION
HOUSING INCENTIVE PROGRAM**

PROPOSED RULES AND REGULATIONS

I. AUTHORITY AND PURPOSE

These rules are promulgated by the Arkansas Teacher Housing Development Foundation (ATHDF) under authority of Arkansas Code Annotated Section 6-26-302(a), for the purpose of administering an incentive program for Arkansas teachers by offering a forgivable home loan program and rental stipends to assist Arkansas teachers who teach in high priority school districts. This grant program will be known as the "Arkansas Teacher Housing Incentive Program."

These proposed rules and regulations adopted by the Arkansas Teacher Housing Development Foundation will be read consistently with the enabling legislation. Therefore, all terms should be given their plain meanings and/or terms should be read in context with the statutory definitions as outlined in the enabling legislation.

II. PROPOSED INCENTIVE PROGRAMS

Pursuant to the Arkansas Teacher Housing Development Act, the Board of Trustees may develop, implement, and administer a home loan program to provide special home loan financing to teachers who choose to teach in high-priority school districts.

Based on available funding, the Foundation may offer a forgivable down payment assistance loan. The loan may be for an amount up to ten thousand dollars (\$10,000.00). The forgivable down payment assistance loan may be used to pay for down payment and closing costs.

However, the loan amount may not exceed ten percent (10%) of the purchase price of an eligible home. The teacher's home must be situated within thirty (30) miles of a high priority school district and not exceed the statutory purchase price limit.

If the teacher fulfills his or her obligation to teach for five (5) continuous years in a high priority school district, one hundred percent (100%) of the loan will be forgiven. Therefore, the forgivable loan will be interest free if the teacher fulfills his or her obligation within a high-priority school district.

One fifth (1/5) of the original loan amount will be forgiven annually based on the teacher's continual employment in a high-priority school district. In order to receive the assistance, the teacher must execute a Promissory Note(s) and an Arkansas Teacher Housing Development Forgivable Loan Agreement.

In addition to the forgivable down payment loan program, eligible teachers may also apply for a \$1,000.00 rental stipend. Teachers must teach in a high priority school district.

The leased rental unit must be situated in a qualifying high priority school district or no more than thirty (30) miles away from a qualifying high priority school district. The teacher must be continuously employed by a high priority school district during the school year in which he/she receives the stipend.

Based upon the available funds, the Foundation will allocate housing incentives to an unspecified number of teachers for each applicable funding term.

III. ELIGIBILITY

The Arkansas Teacher Housing Incentive Program (ATHIP) grants housing assistance to high performing teachers who agree to teach in high priority school districts.

To be eligible for ATHIP assistance, the teacher must:

- (A) have at least three (3) years experience teaching the subject matter that will be taught in the high priority school district;
- (B) possess a valid teaching license; and
- (C) have previously taught in a high performing school district, or
- (D) be currently teaching in a high priority school district or high performing school district.

High performing and high priority school districts are designated by the Board. The list of high performing and high priority school districts are available by contacting the Foundation and/or on the Foundation's website.

IV. THE APPLICATION PROCESS

Applicants must complete an ATHIP application form. On the application, the teacher must state the high priority school district in which he/she plans to teach. Applicants must certify that they are currently employed in a high priority

91 school district **and/or** that they have accepted an offer in a high priority school
92 district.

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94 Applicants must indicate all school districts where they have taught in
95 the last five (5) years. Applicants must submit at least three recommendation
96 letters that attest to the individual's effectiveness as a classroom teacher.

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98 Applicants must have at least 3 years verifiable teaching experience at the time
99 the funds are disbursed. Applicants may apply for the incentive program during
100 their third year of teaching. However, funds may not be disbursed until the
101 completion of the third year.

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103 A teacher may apply for the incentive program during the school year anticipating
104 that his/her contract will be renewed; in anticipation of (or having accepted) an
105 offer of employment from a high priority school district.

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107 Additional information may be required to determine a teacher's eligibility.
108 Applications will be accepted year-round. Applicants must provide all requested
109 information for full consideration.

110 111 **V. AWARD PROCESS**

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113 The number of incentive recipients will be selected based on the availability of
114 funds. The selection of recipients will be based on a number of different factors
115 including, but not limited to: geographical location of the high priority school
116 district, applicant's subject areas of teacher licensure, applicant's effectiveness
117 as a classroom teacher (as reflected in recommendation letters) and applicant's
118 overall teaching experience.

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120 Applicants will be notified and issued a letter of intent upon selection. Upon
121 selection, applicants should proceed with preparation for securing their housing.

122 123 **VI. DISBURSMENT OF FORGIVABLE LOAN FUNDS**

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125 The Foundation will disburse the forgivable loan based on the loan closing date.
126 Before closing, the teacher must sign an Arkansas Teacher Housing
127 Development Foundation Forgivable Loan Agreement, Promissory Note and
128 Second Mortgage for the forgivable loan.

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130 The recipient's real estate agent must disclose the payment and use of forgivable
131 loan proceeds in the Real Estate Settlement Procedures Act Settlement
132 Statement (HUD-1) and must forward a copy of the fully executed HUD-1 to the
133 Foundation at least 48 hours prior to closing.

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135 The recipient is required to list the Arkansas Teacher Housing Development
136 Foundation as a lien holder on his/her homeowner's property insurance during

the five (5) year period until the ATHIP loan is forgiven. Verification from the insurance company must be sent to the Foundation by fax and U.S. mail.

The signed second mortgage, note and agreement must be recorded in the official public records of the County Recorder's Offices to perfect the lien on the property.

VII. LOAN FORGIVENESS

One fifth (1/5) of the original loan amount will be forgiven annually based on the teacher's continual employment in a high-priority school district.

Verification of the teacher's employment will be conducted once a year in June, through the appropriate school officials and/or the Arkansas Department of Education.

When employment has been verified, the Foundation will issue a statement of forgiveness that reflects the teacher's decreased liability on the original loan equal to one fifth (1/5) of the original loan amount.

A teacher receiving a forgivable loan may receive forgiveness for the entire amount of the original loan if the teacher teaches in a high priority school district for five (5) years.

A teacher receiving forgiveness for rendering service as a teacher to a high priority school district may incur some tax liability. Loan forgiveness may result in taxable income to the teacher for federal and/or state income tax purposes.

Any federal or state taxes incurred as a result of forgiveness will be the sole responsibility of the teacher. The Foundation will pay no withholdings or withhold any sums from the amount forgiven.

The Foundation will furnish information regarding forgiveness to the appropriate taxing authorities. We do not give tax advice. The recipient should consult a tax professional to learn how a forgivable loan affects individual tax liability.

VIII. DEFAULT/REPAYMENT/CANCELLATION

The forgivable loan does not accrue interest and/or require repayment until the teacher has defaulted on the Arkansas Teacher Housing Incentive Program (ATHIP) agreement. There are a number of ways in which a teacher may default on an ATHIP forgivable loan.

The teacher must live in the purchased home for at least five (5) years. The home must serve as their primary residence under the terms and conditions of the forgivable loan program.

184 If the home ceases to be the teacher's primary residence he/she will be in
185 default. Upon default, the balance of the original loan must be repaid.

187 A teacher must repay the balance of the forgivable loan upon the sale, transfer
188 and/or other disposition of the purchase property (including any involuntary
189 transfer by or as a result of foreclosure or judicial sale or operation of law),
190 refinance or other satisfaction of the first mortgage loan.

192 However, if a loan recipient secures another home within thirty (30) miles of a
193 high priority school district within ninety (90) days of a sale, the recipient may not
194 be required to repay the forgivable loan immediately.

196 The funds will not be due provided that the teacher continues to teach in a high
197 priority school district; and that the teacher grants the Foundation a second
198 mortgage in the newly purchased property until the expiration of the five (5) year
199 forgiveness period.

201 Repayment will not begin if a teacher refinances a first mortgage merely for the
202 purposes of securing a lower interest rate; converting an adjustable rate
203 mortgage to a fixed rate mortgage; or obtaining a home equity loan for repairs.

205 The teacher will also be considered in default if it is discovered that part of their
206 application materials and/or loan documents contain intentional/blatant errors,
207 false or misleading statements or fraudulent information.

209 If repayment is required, the teacher will have 90 days following the date of
210 triggering event(s) of default to repay the balance of the loan.

212 If the teacher is unable to repay the original loan amount, the teacher will be
213 obligated to start making payments directly to the Foundation (or its assignees)
214 at an interest rate equal to the rate of the first mortgage.

216 Teachers who fail to meet their repayment obligation may have any costs for
217 collection of the debt added to their total obligation.

219 If the recipient is a member of the uniformed services and his/her teaching has
220 been interrupted by a tour of duty, he/she may be eligible for forbearance,
221 deferment or cancellation.

223 Loan cancellation, deferment or forbearance may be available to a recipient who
224 is temporarily or totally disabled, for a period exceeding five years, as established
225 by sworn affidavit from a licensed physician.

227 If a recipient is unable to work because he/she must provide care to a disabled
228 spouse and/or parent, he/she may have his/her loan cancelled.

The Foundation will cancel the loan obligation upon the death of the recipient or if the recipient is unable to teach on a full-time basis because of an impairment that is expected to continue indefinitely or result in death.

Other extraordinary circumstances that would prevent the recipient from repaying the debt within the contractual obligations of the promissory note may be considered on a case by case basis.

If a catastrophic event occurs that requires the teacher to sell the property for an amount less than the mortgage note, the portion of the lien of the second mortgage note which cannot be satisfied from the proceeds of such sale may be released by the Board. Granting a release due to a catastrophic event is in the sole and absolute discretion of the Board.

Verification must be provided for all loan cancellations, forbearances, deferments and/or release requests. If the basis for cancellation is death, the death certificate or other evidence of death, that is conclusive under the state law, must be provided.

The Foundation's Board must review and approve all requests for loan forbearances, deferments and/or cancellations.

IX. RENTAL STIPENDS

Teachers who are applying to receive the rental stipend must be eligible as provided by Section III of these rules and regulations. They must also apply by completing an application form as prescribed herein.

The leased rental unit must be situated in a qualifying high priority school district or no more than 30 miles away from a qualifying high priority school district. The teacher must be continuously employed by a high priority school district during the school year in which they receive the stipend.

The qualifying teacher must present documentation evidencing a lease agreement for a rental property located within a high priority school district. The rental stipend shall be dispersed quarterly. All disbursements will be payable to the teacher directly.

If a draft is issued by the Foundation for the purpose of awarding a rental stipend, cashing, depositing and/or otherwise negotiating the draft will evidence the payee's assent to comply with the terms as expressed in the rules and regulations of the Arkansas Teacher Housing Incentive Program.

273 If a teacher's employment in a high priority school district is discontinued, the
274 teacher is no longer eligible for rental stipend payments. Payments received
275 while the teacher was actively employed do not have to be repaid.

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277 If funds are available, teachers may reapply for the rental stipend. Their
278 application will be reviewed and their continued eligibility will be determined.
279 Teachers who are returning for consecutive terms to teach in a high priority
280 school district are strongly encouraged to reapply for the rental stipend.

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282 Teachers who have received the rental stipend may also apply for a forgivable
283 loan. However, no applicant may receive disbursements for a rental stipend and
284 a forgivable loan at the same time.

285
286 If an applicant applies for a rental stipend and a forgivable loan during the same
287 academic year, the applicant may be approved for a forgivable loan. Approval
288 for the forgivable loan immediately cancels an applicant's rental stipend
289 disbursements.

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291 A qualifying teacher's maximum forgivable loan amount may be reduced by the
292 amount of rental stipends he/she received.