ACADEMIC CHALLENGE SCHOLARSHIP PROGRAM
RULES AND REGULATIONS

RULE 1 – ORGANIZATION AND STRUCTURE

I. The Arkansas Department of Higher Education (ADHE) shall administer the Arkansas Academic Challenge Scholarship Program within the policies set by the Arkansas Higher Education Coordinating Board. All formal communications shall be addressed to or signed by the Director of the Arkansas Department of Higher Education or his/her designee.

II. The Director of the Arkansas Department of Higher Education has the final responsibility for selecting scholarship recipients pursuant to the provisions of Acts 352, 362 and 733 of 1991, Act 47 of 1992, Acts 720, 1170 and 1244 of 1993, Acts 188 and 228 of 1995, Act 858 of 1999, Acts 1612, 1664 and 1836 of 2001 and subsequent legislation, and program rules and regulations.

III. The Arkansas Department of Higher Education shall follow the provisions of the Administrative Procedures Act when functioning under Acts 352, 362 and 733 of 1991, Act 47 of 1992, Acts 720, 1170 and 1244 of 1993, Acts 188 and 228 of 1995, Act 858 of 1999, Acts 1612, 1664, and 1836 of 2001, Act 1798 of 2003, and subsequent legislation.

RULE 2 – SCHOLARSHIP ELIGIBILITY CRITERIA

I. Eligibility Criteria

An applicant must meet the following requirements to be eligible to receive the Arkansas Academic Challenge Scholarship:

A. The applicant must be a citizen of the United States or a permanent resident alien.

B. The applicant shall have been a resident of the State of Arkansas for at least (12) months prior to graduation from an Arkansas high school, and the recipient's parent(s) or guardian(s) shall have maintained Arkansas residency for the same period of time.

C. The applicant shall have graduated from an Arkansas high school on or after March 5, 1991.

D. The applicant must be accepted for admission and enrolled as a full-time, first-time freshman at an approved institution of higher education,

as defined by the Department of Higher Education, within twelve (12) months of graduation from high school. Applicants who graduated from high school after December 31, 2001, and before December 31, 2002 must enroll within eighteen (18) months of graduation from high school.

E. The applicant must be enrolled full-time (12 semester hours or the equivalent) and complete twenty-four (24) semester hours, or the equivalent, per academic year. Those applicants who graduated from high school after December 31, 2000 must be enrolled full-time twelve (12) semester hours or the equivalent for the first semester and fifteen (15) semester hours or the equivalent every semester thereafter.

F. The applicant must be enrolled in a program of study, which leads to or is creditable towards a baccalaureate degree. These programs include baccalaureate degree programs, associate degree programs, and nursing school diplomas, which require concurrent college enrollment.

G. Applicants must certify that they are drug-free and must pledge in writing on the application form to refrain from the use or abuse of illegal substances. This includes alcohol for applicants under twenty-one years of age.

H. Any male applicant under twenty-six years of age must file a Statement of Selective Service Status with the postsecondary education institution at which he is enrolled certifying that he has complied with the terms of the Military Selective Service Act before funds can be disbursed.

I The applicant must score 19 or above on the ACT Composite or at least 730 on the SAT combined verbal and math (if the ACT score is not available).

J. A recipient of a Governor's Distinguished Scholarship is prohibited from receiving an Academic Challenge Scholarship.

K. Applicants who graduate from high school after December 31, 2001 must achieve the following grade point average in the pre-collegiate core curriculum: 3.0 on a 4.0 scale if enrolling at an approved four-year institution or a grade point average of 2.75 on a 4.0 scale if enrolling at an approved two-year institution. These grade point averages may be revised to no lower than a 2.5 grade point average on a 4.0 scale if it is determined by the department, based on the most recent evaluation of the program's operation that the grade point requirement would unduly reduce the number of low-income or disadvantaged students who would otherwise be eligible for the program. At the Department's discretion, an exception may be made to institutions with a high percentage of students receiving full Pell grants, upon written petition to the department by the institution. The applicant who graduated from high school prior to December 31, 2001, must have achieved a grade point average (GPA) of 2.50 on 4.0 scale in the pre-collegiate core

curriculum established by the State Board of Education and the Arkansas Higher Education Coordinating Board pursuant to A.C.A. 6-61-217 as listed below.

- **English** - Four units with emphasis on writing skill (not to include courses in oral communication)

- **Natural Science** - Two units, with laboratories, chosen from two of the following: Biology, Chemistry, or Physics (Applied Biology/Chemistry [two-year program] may be substituted for Biology. Principles of Technology I and II [two-year program] may be substituted for Physics). High School graduates in 2002 and beyond will be required to have an additional unit of science. The third unit may be any science, including Physical Science, with a lab. Only one unit may come from a Life Science.

- **Mathematics** - Three units: Algebra I, Algebra II and Geometry (Applied Math I and II [two-year program] may be substituted for Algebra I if the student who completes Applied Math I and II also completes Algebra II and Geometry [or more rigorous math courses such as calculus or trigonometry] with grades of C or better). Applicants graduating in the year 2002 and beyond will be required to have a fourth unit of Mathematics beyond Algebra II.

- **Social Studies** - Three units, including one of American History, one of World History, and at least one-half unit of Civics or American Government.

- **Foreign Language** - Two units in one foreign language.

A *unit* is defined as the credit received for completion of one (1) year of a course in high school. One semester is equal to one-half (1/2) unit.

OR

A *unit* is defined as the credit received for completion of one three credit-hour semester course in college as a high school student or as a student applicant seeking to meet the core requirements provided for in the grace period specified in Rule 2, Section I, Paragraph M.

L. Applicants who do not meet the requirements of both paragraphs I and K with respect to the minimum ACT score (or its equivalent), or the minimum GPA in high school core courses, shall qualify if they meet the combined test score and GPA requirements set out in the selection index below:

ACT SCORE	CORE CURRICULUM GPA
25-36	2.0 and above
20-24	2.25 and above
19	2.50 and above
17-18	3.0 and above
15-16	3.25 and above

Applicants with ACT scores below 15 will not be eligible; applicants with GPAs below 2.0 will not be eligible.

Applicants who graduate from high school after December 31, 2001, who do not meet the requirements of both paragraphs I and K with respect to the minimum ACT score (or its equivalent), or the minimum GPA in high school core courses, shall qualify if they meet the combined test score and GPA requirements set out in the selection index below:

ACT SCORE	CORE CURRICULUM GPA
25-36	2.50 and above, if attending a 4-year institution, 2.25 and above, if attending a 2-year institution
20-24	2.75 and above, if attending a 4-year institution, 2.50 and above, if attending a 2-year institution
19	3.00 and above, if attending a 4-year institution, 2.75 and above, if attending a 2-year institution
15-18	3.25 and above, if attending a 4-year institution, 3.00 and above, if attending a 2-year institution

Applicants with ACT scores below 15 will not be eligible; applicants with GPAs below 2.25 will not be eligible.

Applicants who graduated from high school after December 31, 2001, and before December 31, 2002, must have achieved a minimum cumulative grade point average of 2.0 in college to be eligible for a deferred award, unless they were unable to attend college in the academic year following high school graduation.

M. Applicants who graduate from high school after December 31, 2001, who have met the requirements as listed in Section I., Paragraphs A through H, but have not completed the precollegiate core curriculum defined in Paragraph K by the end of their senior year of high school shall have a grace period of twelve (12) months from graduation to make up any course deficiencies required for program eligibility, (as

defined in Section I, Paragraph K) due to the unavailability of the courses in the applicant's high school. However, students will not be fully eligible for an award until all academic deficiencies are met.

N. For applicants graduating from high school after December 31, 2000, applicants must demonstrate financial need as defined below:

1. An applicant whose family includes one (1) unemancipated child under the age of 24 shall have an average family adjusted gross income (AGI) over the previous two years not exceeding $50,000 per year at the time of application for the program.

2. An applicant whose family includes two (2) unemancipated children under the age of 24 shall have an average family adjusted gross income over the previous two years not exceeding $55,000 per year at the time of application to the program.

3. An applicant whose family includes three (3) or more unemancipated children under the age of 24 shall have an average family adjusted gross income over the previous two years not exceeding $60,000, plus an additional $5,000 of AGI per year for each additional child under the age of 24 at the time of application to the program.

4. Any applicant whose family includes more than one (1) unemancipated child under the age of 24 enrolled full-time at an approved institution of higher education shall be entitled to an additional ten thousand dollars ($10,000) of adjusted gross income when the Department of Higher Education calculates the financial need. The dependent(s) must be enrolled during the same year for which the applicant is seeking award.

5. Any student who claims to be emancipated or independent must be eligible to receive Federal financial aid as an independent student as defined by Federal regulations.

6. The Department of Higher Education may increase the income requirements using the Federal Consumer Price Index, if sufficient funds become available.

II. Continued Eligibility

If sufficient funds are available, the scholarship shall be awarded for one academic year and renewed annually if the recipient maintains a 2.50 cumulative grade point average on a 4.0 scale and completes 24 semester hours (or equivalent) per academic year. Students seeking baccalaureate degrees may renew their scholarship for up to three

additional academic years for a total of four years. Students seeking associate degrees may renew their scholarship for one additional academic year for a total of two years. No student may use these funds beyond the baccalaureate degree.

Subject to the availability of funds, those recipients graduating from high school after December 31, 2000, must maintain a 2.75 cumulative grade point average on a 4.0 scale and complete twelve (12) semester hours or the equivalent for the first semester and fifteen (15) semester hours or the equivalent every semester thereafter in order to have their scholarship renewed.

If the student is entering the junior year, the student must have taken the standard rising junior test provided for in A.C.A. 6-61-114.

RULE 3 – APPLICATION PROCESS

I. Application

Students must submit an application for the Arkansas Academic Challenge Scholarship Program to the Arkansas Department of Higher Education. The Arkansas Department of Higher Education provides Academic Challenge Scholarship Program application forms to high school counselors or principals and Arkansas higher education institutions. The Arkansas Department of Higher Education also provides applications to any individual upon request. The applicant and the applicant's parents or guardians must complete the Academic Challenge Scholarship application either in writing or via the web site.

II. Submission of Application and Application Deadline

Students who graduate from high school prior to December 31, 2001, must submit an application to ADHE by October 1 of the calendar year in which they graduate from high school, and should apply, regardless of any academic deficiencies. Applications received after October 1 will not be considered for a scholarship. The student is responsible for submitting the application and all supporting documentation in a timely manner.

For those students who graduate from high school after December 31, 2001, the application deadline shall be June 1 of the calendar year in which they graduate from high school, regardless of core curriculum deficiencies. At its discretion, the ADHE may extend the deadline, provided sufficient notice is provided to the public. The student is responsible for submitting the application and all supporting documentation in a timely manner.

III. Amount of Scholarship

A. For recipients who graduated from high school between January 1, 1997, and December 31, 1998, the amount of the annual scholarship awarded to each recipient shall be the lesser of two thousand five hundred dollars ($2,500) or the annual tuition charged by the approved institution in which the recipient is enrolled.

B. For new recipients who graduated from high school between December 31, 1998, and December 31, 2001, the amount of the annual scholarship awarded to each recipient shall be two thousand five hundred dollars ($2,500).

C. For recipients who graduated from high school after December 31, 2001, the amount of the annual scholarship awarded to each recipient shall be graduated as follows:

1. A recipient in his or her freshman year shall be awarded an amount not to exceed two thousand dollars ($2,000);
2. A recipient in his or her sophomore year shall be awarded an amount not the exceed two thousand two hundred and fifty dollars ($2,250);
3. A recipient in his or her junior year shall be awarded an amount not the exceed two thousand five hundred dollars ($2,500); and
4. A recipient in his or her senior year shall be awarded an amount not the exceed three thousand dollars ($3,000).

IV. Award Notification and Prioritization of Awards

The number of new awards shall not exceed 5,000 per year.

During times of funding shortages under the Academic Challenge Scholarship Program, the Department of Higher Education shall first award those students who received an award in the previous academic year. If sufficient funds are not available to renew the Academic Challenge Scholarships of prior years' recipients, the available funds will be pro-rated among those recipients.

New applicants will receive the second funding priority. Should sufficient funds be unavailable to award all new applicants, awards will be prioritized to applicants meeting all eligibility requirements under the Academic Challenge Scholarship Program, who agree to accept a forgivable loan, as set forth in section § 6-82-1009, in lieu of a scholarship, and who agree to:

(A) Teach, as required under § 6-82-1010, in a subject matter area designated by the Department of Education as having a critical shortage of teachers; or
(B) Teach, as required under § 6-82-1010, in a geographical area of the state designated by the Department of Education as having a critical shortage of

teachers.

After all awards are made to applicants who agree to the provisions of § 6-82-1009, awards will next be prioritized to students who meet all the eligibility criteria established in Rule 2, beginning with the neediest students first.

The Arkansas Department of Higher Education shall notify each eligible applicant of his/her award. The award notice includes the student's name, address, social security number, the actual amount the student is eligible to receive, and the student's first institutional choice as indicated on the application form. The award notice also explains the Arkansas Department of Higher Education's disbursement procedures and conditions of the Academic Challenge Scholarship.

Applicants, who are awarded pursuant to § 6-82-1009, shall execute a promissory note to the Arkansas Department of Higher Education for the purpose of entering into a loan agreement with ADHE. The terms of the loan agreement will include the general purpose, repayment and deferment procedures, interest calculations, and a schedule of advances. The promissory note shall be signed by the loan recipient and by a co-maker of eligible age. Modifications to any award amount will be confirmed through the issuance of a new promissory note.

V. Conditional Eligibility Notification

Applicants who graduate from high school after December 31, 2001, and who have not completed the pre-collegiate core curriculum defined in Rule 2, Paragraph K but who otherwise satisfy all of the eligibility requirements listed in Rule 2, shall be classified as Conditionally Eligible. Students are only classified as conditionally eligible when the required course offerings are not available in their high school. Conditionally Eligible students shall have a grace period of up to twelve months from high school graduation to make up any core course deficiencies, which are due to the unavailability of courses while in high school. The Arkansas Department of Higher Education shall notify Conditionally Eligible students of their specific deficiencies and explain the student's responsibilities in satisfying those deficiencies within the 12-month period allowed.

VI. Eligible Award Notification

Students who are determined to be eligible for participation in the Arkansas Academic Challenge Scholarship Program but who have not been admitted to or enrolled in an Arkansas institution of higher education shall be classified as eligible. The Arkansas Department of Higher Education shall notify the students of their status as eligible. The notice provides instructions for receiving an award, defines the applicant's responsibilities, and explains the grace period.

VII. Ineligible and Incomplete Notification

The Arkansas Department of Higher Education shall notify applicants who are determined to be ineligible and provide the reason for ineligibility. They will also be given instructions on how to correct any information on the application they believe to be incorrect. Applicants who fail to submit complete applications, or who fail to supply the required documentation to process the application, will be classified as Incomplete. The Arkansas Department of Higher Education shall notify these students of their status. The Incomplete notice provides a list of the incomplete items and the actions necessary for completion.

RULE 4 – SCHOLARSHIP PAYMENT POLICIES

I. Limits of Payment

A. Payment of Scholarships\Loans

The Arkansas Department of Higher Education shall disburse scholarship and loan funds to the approved institution of the student's choice. The Arkansas Department of Higher Education shall send funds to the institution via electronic funds transfer or state warrant. After verification of full-time enrollment, the institution will disburse the scholarship and loan funds to the student according to the institution's disbursement procedures. The scholarship or loan fund payment will correspond to academic terms, semesters, quarters, or equivalent time periods at the eligible institution. In no instance may the entire amount of the scholarship or loan disbursement for an educational year be paid to or on behalf of such student in advance.

B. Transfer of Scholarships\Loans to Another Approved Institution

A recipient who has received an Academic Challenge Scholarship may transfer the scholarship or loan to another approved Arkansas institution of higher education, provided that:

1. The student notifies the Arkansas Department of Higher Education, in writing, of the change of status by October 1 for the fall term and by February 1 for the winter and/or spring terms;

2. The student submits a transcript to ADHE, which certifies that the student has maintained both a 2.5 GPA, and full-time status at the institution the student is leaving. Beginning with recipients who graduate from high school after December 31, 2000, the transcript must show a minimum cumulative grade point average of 2.75 or above and the completion of the required number of college credit hours; and.

3. If the student was awarded pursuant to § 6-82-1009, the student transfers to an institution where the student will remain in the teaching program with the intent to pursue a degree in a subject shortage field or geographic shortage area established in Rule 3, IV (A) and (B).

C. Withdrawal Policy

The Arkansas Department of Higher Education shall allow a student to withdraw from the Arkansas Academic Challenge Scholarship Program for no more than one year. The recipient must submit a written petition for withdrawal. The petition shall give the reason for withdrawal and be supported by documentation. In the absence of extraordinary circumstances, the award will be revoked if the recipient fails to enroll full-time in an eligible institution in Arkansas, and the Arkansas Department of Higher Education receives neither written notification of transfer of the scholarship\loan to another eligible institution, nor a petition for withdrawal by the recipient by October 1 for the fall term and February 1 for the winter and/or spring terms. At the discretion of the Department of Higher Education, the award will not be revoked if it is determined by ADHE that extraordinary circumstances prevented the student from notifying ADHE by the required dates.

D. Renewal of Scholarship

The scholarship may be awarded for a total of four academic years of undergraduate study, provided the recipient maintains at least a 2.50 cumulative grade point average on a 4.0 scale and completes 24 semester credit hours (or equivalent) per academic year.

Those recipients graduating from high school after December 31, 2000, must maintain a 2.75 cumulative grade point average on a 4.0 scale and complete twelve (12) semester hours or the equivalent for the first semester and fifteen (15) semester hours or the equivalent every semester thereafter.

A student may not use these funds for educational purposes beyond the baccalaureate degree.

E. Cancellation of the Scholarship or Loan

1. The award will be terminated for any of the following reasons:

a. Failure to maintain at least a 2.50 cumulative grade point average on a 4.00 scale, and complete 24 semester credit hours (or equivalent) per academic year.

For those recipients graduating from high school after December 31, 2000, failure to maintain a 2.75 cumulative

grade point average on a 4.0 scale and/or complete twelve (12) semester hours or the equivalent for the first semester and fifteen (15) semester hours or the equivalent every semester thereafter.

b. Completion of a first baccalaureate degree within five years from initial college entrance as a full-time freshman.

c. Student, who was awarded a loan under the provisions of § 6-82-1009, fails to maintain enrollment in the teacher education program for which they were approved.

The scholarship or loan shall be terminated if a student fails to maintain continued eligibility requirements.

2. The recipient is responsible for notifying, in writing, the Arkansas Department of Higher Education of any change in status (i.e. transfer to another eligible institution in Arkansas, change in name, etc.) before appropriate deadline dates. Failure to provide written notification may result in the cancellation of the scholarship for that term.

F. Military Service

Recipients who are members of the Arkansas National Guard or Armed Forces Reserve units who are called to active duty for reasons other than regular unit training and are unable to complete the current term will be allowed to repeat the missed term without loss of scholarship credit. In addition, they will be placed in deferred status until six months after release from active duty, at which time they must be re-enrolled in an approved institution.

G. Repayment of Scholarships and Loans

1. Scholarship Repayment Terms

If the recipient of a scholarship withdraws, drops out, or is expelled on or after the first day of class of a payment period, the institution will determine whether the student received an overpayment of financial aid funds for noninstitutional expenses. Overpayment is the difference between the amount received as cash disbursements and the amount incurred for non-institutional costs during the portion of the payment period that the student was actually enrolled. It is the institution's responsibility to contact students and recover overpayments.

2. Terms of Loan Repayment

Recipients, who received a loan under 6-82-1009, shall begin teaching full-time in an approved subject or geographic shortage area in an Arkansas public school beginning in the first school year in which the recipient is eligible for employment as a licensed teacher. Recipients who perform said teaching service shall have their loans forgiven at a rate of one year's loan proceeds plus interest for every one year of service.

A verification of the loan recipient's employment will be conducted once a year, in June, through the school superintendent's office in the recipient's employment district.

. Loan recipients who do not teach full-time in a approved shortage area in an Arkansas public school following certification, or who discontinue their studies prior to completing their program of study shall, within a maximum of five (5) years, repay the full remaining loan balance, plus accrued interest according to an interest and repayment schedule.

The repayment schedule will be 20 percent of the total loan, plus interest, paid in twelve monthly installments for each year of service not completed. Repayment will be completed within a maximum of five years from the completion of a college degree or withdrawal from college, whichever comes first.

3. Interest on Loan

Interest will accrue from the beginning of the repayment period and will be at an annual percentage rate not to exceed ten percent (10%) on the unpaid balance, except that no interest will accrue during any deferment period. Interest will be calculated as a simple, per annum interest charge on the outstanding principal.

Interest will not accrue and installments need not be paid when an official deferment has been approved by the Arkansas Department of Higher Education. Any recipient who wishes a deferment must submit an application for deferment to ADHE for approval.

4. Deferment of Loan

At the discretion of ADHE, scheduled loan repayments may be deferred if it is determined by ADHE that extraordinary circumstances prevent the recipient from making such repayments. Deferments may be granted for the following conditions:

a. The recipient is engaged in a full-time course of undergraduate or graduate study at an institution of higher education. This must be verified by the Registrar's Office.

b. The recipient is seeking and unable to find employment as a public school teacher in an approved shortage field for a single period not to exceed twelve (12) months. The loan recipient must submit a list of schools contacted for employment. ADHE will verify this information with the superintendent's office in that school district.

c. The recipient is temporarily totally disabled, for a period not to exceed three years, as established by sworn affidavit from a licensed physician. ADHE reserves the right to require a second opinion by an ADHE approved physician.

d. The recipient is unable to secure employment for a period not to exceed twelve (12) months by reason of the care of a spouse who is disabled, as established by the signature of a licensed physician. ADHE reserves the right to require a second opinion by an ADHE approved physician.

e. Other extraordinary circumstances which would prevent the recipient from repaying the debt within the contractual obligations of the note may be considered.

To qualify for any of the deferments, recipients must notify ADHE of their claim to the deferment and provide supporting documentation on a Request for Deferment, which will be supplied by ADHE upon request. The Request for deferment must be completed and returned to ADHE by the recipient. The recipient will be notified within ten (10) days of approval or disapproval of any application for a deferment.

5. Cancellation of Loan

ADHE will cancel a recipient's repayment obligations if it determines:

A. On the basis of a sworn affidavit of a licensed physician that the recipient is unable to teach on a full-time basis because of impairment that is expected to continue indefinitely or result in death. ADHE reserves the right to require a second opinion by an ADHE approved physician; or

B. On the basis of a death certificate or other evidence of death, that is conclusive under state law that the recipient has died.

6. Prepayment of Loan

There shall be no penalty for prepayment or repayment of all or any portion of the principal.

7. Failure to Repay

Loan recipients who fail to meet their repayment obligations may have added to their total obligation any costs for collection of the debt and shall have their teaching certification in Arkansas revoked.

H. Refunds

The Arkansas Academic Challenge Scholarship Program is entitled to a refund of the scholarship or loan amount, for that semester, if the recipient of a scholarship or loan withdraws, drops out, or is expelled on or after his or her first day of class of the payment period and the situation falls under the refund policy of the institution. The institution shall pay the refund to the Arkansas Department of Higher Education.

I. Overpayment

If the award of an Arkansas Academic Challenge Scholarship results in an overpayment to the student according to the state law governing the anti-stacking of scholarships, the institution shall follow the ADHE policy in reducing the student's financial package to prevent the student from receiving funds above the federally recognized cost of attendance.

RULE 5 – INSTITUTIONAL RESPONSIBILITIES

I. College/University Responsibilities

A. Administrative Agreement

The chief executive officer of the eligible institution is responsible for appointing one representative from the financial aid office to act as administrator of the Arkansas Academic Challenge Scholarship Program and to receive all communications, forms, etc. This representative is responsible for verification, data and compliance with all program rules and regulations. The institution must comply with all rules and regulations in order to maintain continued eligibility status.

B. Disbursement Records

The institution shall maintain information on the student indicating disbursement of scholarship or loan funds.

C. Institutional Verification

The institution shall provide certification of full-time enrollment, as of the eleventh day of classes, by completing a Verification Roster each semester after registration. The Verification Roster is an alphabetical listing by institution of all persons receiving the award for a given academic term. The certifying official is responsible for completing the verification rosters each semester or trimester. The Arkansas Department of Higher Education shall provide electronic Verification Rosters to the Financial Aid Administrator for each semester or trimester as needed. The electronic Verification Rosters shall be returned to the Arkansas Department of Higher Education by November 1 for the fall term and by March 15 for the spring term. Students who are enrolled less than full-time in the current term shall not receive scholarship or loan benefits in that term. The Arkansas Department of Higher Education shall also provide electronic continuing eligibility rosters to the Financial Aid Administrator before the end of the spring term. The continuing eligibility rosters shall be returned to the Arkansas Department of Higher Education no later than June 15 to ensure that adequate time is provided to notify students of their status in the program.

D. Deadlines for Disbursement of Funds

The deadline for disbursement of funds is no later than 10 days after written receipt of funds. Any outstanding funds not disbursed by these dates must be returned to the Arkansas Department of Higher Education. For those students whose applications are received by ADHE too late to allow disbursement by these dates, disbursement will be made within 10 working days of receipt of the verification roster and electronic transfer of funds.

E. Due Diligence

The institution will exercise due diligence in providing complete, accurate, and timely information as requested by the Arkansas Department of Higher Education on any Arkansas Academic Challenge Scholarship recipient or former recipient. In addition, the institution will exercise due diligence in complying with all the rules and regulations of the Arkansas Academic Challenge Scholarship Program. The Arkansas Department of Higher Education shall periodically review the institution's records concerning this program in an effort to exercise its due diligence requirements as a steward of state funds.

RULE 6 – SCHOLARSHIP OR LOAN RECIPIENT'S RESPONSIBILITIES

I. Arkansas Academic Challenge Scholarship Award Recipient's Responsibilities

It is the recipient's responsibility to notify the Arkansas Department of Higher Education of any change in status within 21 days. This will include:

- Change in name
- Change in address
- Change in institution
- Change in full-time status (twelve college credit hours or its equivalent per semester for students who graduate from high school before December 31, 2000 or are in their first semester of college, fifteen college credit hours for those students who graduated from high school after December 31, 2000 and are beyond their first semester in college)
- Change in course of study for loan recipients
- Change in employment for those in loan forgiveness status

Failure to notify the Arkansas Department of Higher Education of a change of status may affect future eligibility.

RULE 7 – COLLECTION OF LOAN

I. Collection of Loan

Accounts will be retained by ADHE in the Financial Aid Division until the individual is no longer eligible for forgiveness or deferment. The account will be turned over to a vendor for repayment. The student will be notified by mail that their account is being placed with a vendor for collections and they will be sent a loan amortization schedule along with the letter. The account will remain with the vendor until repaid or 120 days past due. Loan recipients who are determined by ADHE to be 120 days delinquent will be mailed their first letter of notification ten (10) days after the installment payment is due. The co-signer will be notified at the same time. If payment is not forthcoming within 60 days from the original payment due date, a second letter of notification will be sent to the loan recipient and the co-signer declaring their account is delinquent and requesting that the account be immediately brought up to date. If the loan recipient has not responded within 90 days from the original payment due date, the third and final letter of notification will be sent to the recipient and co-signer informing them that the account will officially be in default in outstanding payments are not made within 30 days.

II. Skip Tracing Mechanisms

If letters are returned as undeliverable, the Department of Finance and Administration's Motor Vehicle Division can be used to perform skip-tracing activities. Motor Vehicle Division's records are updated in March and September each year. To get this information, mail name, current address, and social security number on Arkansas Department of Higher Education letterhead to:

Department of Finance and Administration
Motor Vehicle Division
P. O. Box 1272
Little Rock, AR 72202
ATTENTION: Correspondence Desk

A response from the Motor Vehicle Division should be received within ten (10) working days.

Additionally, ADHE will use these steps to locate recipients and/or co-signers if communications are returned as undelivered:

1. Contact references listed on the recipient's application;

1. Utilize telephone directory or check with directory assistance in the area of the recipient and/or co-signer's last known address;

3. Contact institutional offices (alumni office, admissions office, registrar's office, fraternity or sorority, and the department that the recipient majored in) at the campus where the recipient last attended;

4. Contact creditors, such as credit card companies, credit bureaus, or GSL lender;

5. Contact recipient's field of study--professional organization, union, or licensing board;

6. Contact post office;

7. Contact utility companies; and,

8. Contact Chamber of Commerce.

III. Credit Reporting Agencies

Defaulted recipients and/or co-signers will be reported to the following Credit Reporting Agencies:

1. CSC Credit Reporting Services, Inc.

2. T R W Credit Data

3. Trans Union Credit Reporting

Forms for reporting defaulted loan recipients and/or co-signers are located in the collection file. ADHE will also respond promptly to any inquiries it receives from credit reporting agencies concerning delinquent or defaulted loan recipients and/or co-signers.

IV. State Income Tax Setoff

By the authority of Act 345 of 1993, the Department of Higher Education has been included as a claimant agency for the setoff of debts against state tax refunds. To access the Set-Off Section of the State Tax Administration Office, ADHE must submit name, address, social security number, and amount of debt via computer magnetic tape by December 1 to intercept taxes for the next year.

V. Litigation

No sooner than 30 days after sending the third letter of notification, ADHE shall institute a civil suit against the recipient and co-signer for repayment of the loan. Small Claims Courts will be used to satisfy debts of accounts up to $3,000.00. If over $3,000.01, ADHE must use Circuit Court. If the account is $3,000.01 or above, ADHE may choose to use Small Claims Courts and waive the difference because of the expense involved in going to Circuit Court. If ADHE chooses to waive the difference, it cannot later try to collect the difference. Forms to take the recipient and/or co-signer to Small Claims Courts are requested from the recipient's and/or co-signer's county of residence.

VI. Write-Offs

Academic Challenge Scholarship Loans may be written off as uncollectible if ADHE shows due diligence to satisfy the collection of the debt, and documents in the recipient's file that:

A. the cost of litigation would exceed the likely recovery if litigation were commenced; or

B. the recipient and/or co-signer do not have the means to satisfy a judgment on the debt, or a substantial portion thereof.

Proof of due diligence collection activities must be submitted to the Administrator of the Department of Finance and Administration and approval from the Administrator must be received before Academic Challenge accounts may be written off.

VII. Nonpayment Penalties

A. Loan recipients who fail to meet their repayment obligations may have added to their total obligation any costs for collection of the debt.

B. Loan recipients who fail to meet their repayment obligations shall have their Arkansas teaching certification revoked.

RULE 8 – PROGRAM DEFINITIONS

The following definitions are used in the Arkansas Academic Challenge Program:

ACADEMIC YEAR — fall semester, spring semester, and first and second summer terms in that order.

APPROVED INSTITUTION — a public or private college or university located in Arkansas that is accredited by the Higher Learning Commission of the North Central Association, or which certifies to the Department of Higher Education that its students are accepted for transfer at institutions accredited by the Higher Learning Commission of the North Central Association and does not discriminate against applicants or employees on the basis of race, color, religion, sex, age, handicap, or national origin, consistent with the provisions of applicable state and federal law.

OR

Only under conditions set forth in A.C.A. 6-82-1007, a public or private nursing school located in Arkansas that is approved by the State Board of Nursing and which does not discriminate against employees on the basis of race, color, religion, sex, age, handicap or national origin, consistent with the provisions of applicable state and federal law.

Cancellation — ADHE shall cancel the loan recipient's obligation if it determines:

On the basis of a sworn affidavit of a licensed physician, that 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. ADHE reserves the right to require a second opinion by an ADHE approved physician; or

On the basis of a death certificate or other evidence of death, that is conclusive under State law that the scholar has died.

CITIZEN	a person who is a U.S. citizen or a permanent resident alien. If the recipient is not a U.S. citizen, but a permanent resident alien, the recipient must attach a copy of the permanent resident alien form I-151, I-551, I-94, or G-641 to the application.
CORE GPA	all pre-collegiate core curriculum will be used to calculate the core GPA, even if they exceed the recommended core. For instance, if the student takes three units of natural science (Biology, Chemistry and Physics) and only two units are required, all three courses will be used to calculate the core GPA.
Default	Failure to repay the Academic Challenge Scholarship Loan in accordance with the terms of the promissory note provided that the failure persists for 180 days for monthly payments.
Due Diligence	This process refers to those steps ADHE takes to collect Academic Challenge Scholarship loan funds when a recipient enters repayment status. It includes: billing the scholar, sending overdue notices, conducting address searches if the recipient cannot be located, reporting the account to credit bureaus, collection, and litigation. Due diligence also includes keeping the recipient informed of all changes in the Academic Challenge Scholarship Program that affect his or her rights and responsibilities and responding promptly to the recipient's inquiries.
ELIGIBLE APPLICANT	any applicant who meets the eligibility criteria established in Rule 2.
FIRST-TIME FRESHMAN	any student currently enrolled as a first-year college student, who has never previously been enrolled as a first-year college student. High school students who complete their senior year of high school while enrolled in a community college or two/four-year college will be considered first-time freshmen in the first year of college work following high school graduation.
FULL-TIME STUDENT	twelve college credit hours or its equivalent per semester for students who graduate from high school before December 31, 2000 or are in their first semester of college, fifteen college credit hours or its equivalent per fall and spring semester for those students who graduated

from high school after December 31, 2000 and are beyond their first semester in college.

INDEPENDENT STUDENT a student who meets one of the following conditions:

Will be 24 years of age by December 31 of the application year; or

Is a veteran of the U.S. Armed Forces; or

Is a ward of the court or both parents are dead; or

Has legal dependents other than a spouse; or

Is married and will not be claimed as an income tax exemption by his or her parents for the current year; or

Is determined to be independent by the financial aid officer at the institution the student plans to attend.

Promissory Note The Promissory Note is a legal document obligating the recipient to repay the loan if he or she does not perform one year of teaching service on a full-time basis in a public Arkansas school in an approved subject or geographic area, for every year they received an Academic Challenge Loan. The recipient's rights and responsibilities will be stated on the promissory note.

Skip Tracing A process for locating a recipient who is in repayment status. ADHE's efforts may include contacting relatives, friends, references, and other individuals or entities in the recipient's file.

Teach on Full-time Basis Teach the same number of hours required of teachers who have full-time contracts, as determined by the institution or agency in which an individual is teaching, for a minimum of one academic term, as defined by the institution or agency in which an individual is teaching.

TUITION charges levied for attendance at an eligible institution of higher education including mandatory fees charged to all full-time students by the approved institution.

UNEMANCIPATED CHILD a child who is claimed on a parent or guardian's income tax return as a dependent and does not meet any of the requirements of an independent student as defined above.

UNIT the credit received for completion of:

1. One (1) year of a course in high school; one (1) semester of a course in high school is one half (1/2) unit.

2. One (1) semester of a three credit-hour course in college