

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

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 rules and regulations, as adopted by the Arkansas Teacher Housing Development Foundation Board, 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. 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, closing costs, and/or other cost related to home purchase.

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.

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

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51 In addition to the forgivable down payment loan program, eligible teachers may
52 also apply for up to \$2,000.00 per year rental stipend (based upon available
53 funds). Teachers must teach in a high priority school district.

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

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

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64 **III. ELIGIBILITY**

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

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70 To be eligible for ATHIP assistance, the teacher must:

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72 (A) have at least three (3) years experience teaching the subject matter that
73 will be taught in the high priority school district;

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75 (B) possess a valid teaching license; and

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77 (C) have previously taught in a high performing school district, or

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79 (D) be currently teaching in a high priority school district or high performing
80 school district.

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82 High performing and high priority school districts are designated by the Board.

83 The list of high performing and high priority school districts are available by

84 contacting the Foundation and/or on the Foundation's website.

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86 **IV. THE APPLICATION PROCESS**

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88 Applicants must complete an ATHIP application form. On the application, the
89 teacher must state the high priority school district in which he/she plans to teach.

90 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.

93

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.

102

103 A teacher may apply for the incentive program during the school year anticipating
104 that his/her contract will be renewed; or 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.

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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.

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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.

134

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

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

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

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144 **VII. LOAN FORGIVENESS**

145
146 One fifth (1/5) of the original loan amount will be forgiven annually based on the
147 teacher's continual employment in a high-priority school district.

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

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

156
157 A teacher receiving a forgivable loan may receive forgiveness for the entire
158 amount of the original loan if the teacher teaches in a high priority school district
159 for five (5) years.

160
161 A teacher receiving forgiveness for rendering service as a teacher to a high
162 priority school district may incur some tax liability. Loan forgiveness may result in
163 taxable income to the teacher for federal and/or state income tax purposes.

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

168
169 The Foundation will furnish information regarding forgiveness to the appropriate
170 taxing authorities. We do not give tax advice. The recipient should consult a tax
171 professional to learn how a forgivable loan affects individual tax liability.

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173 **VIII. DEFAULT/REPAYMENT/CANCELLATION**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

229
230 The Foundation will cancel the loan obligation upon the death of the recipient or if
231 the recipient is unable to teach on a full-time basis because of an impairment that
232 is expected to continue indefinitely or result in death.

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

237
238 If a catastrophic event occurs that requires the teacher to sell the property for an
239 amount less than the mortgage note, the portion of the lien of the second
240 mortgage note which cannot be satisfied from the proceeds of such sale may be
241 released by the Board. Granting a release due to a catastrophic event is in the
242 sole and absolute discretion of the Board.

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

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

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252 **IX. RENTAL STIPENDS**

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

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

262
263 The qualifying teacher must present documentation evidencing a lease
264 agreement for a rental property located within a high priority school district. The
265 rental stipend shall be dispersed quarterly. All disbursements will be payable to
266 the teacher directly.

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

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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.

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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.