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Arkansas Technology Equipment Revolving Loan Fund By-Laws

Preamble

The Arkansas Technology Equipment Revolving Loan Fund, commonly referred to as the Arkansas Assistive Technology Alternative Financing Program ('AFP') was created by the Arkansas General Assembly ('General Assembly') through Act 384 of 1993 as amended ('the Act'). As provided in the Act, the AFP is governed by the Arkansas Technology Equipment Revolving Loan Fund Committee ('Committee'). These by-laws are adopted by the Committee pursuant to the powers conferred upon it in Ark. Code Ann. Section 20-79-301 et seq. In case of any conflict with the provisions of the by-laws and the provisions of the Committee's enabling legislation, as either may be amended from time-to-time, the provisions of the enabling legislation shall take precedence over the provisions of these by-laws.

The purpose of the AFP is to provide qualified individuals with disabilities and their family members with the financial opportunity to purchase or modify equipment, facilities, and related services used by one or more persons with a disability to enhance independence, productivity, and full participation in the community.

Expenditures from the AFP may be used by qualified applicant to purchase and/or finance communications devices, prostheses, wheelchairs, wheelchair car-lifts, ramps, and roll-in-showers, telecommunication devices for persons who are deaf or hearing impaired, and devices which allow persons who are blind or visually impaired to discern printed material. This list is not exhaustive.

The AFP shall be used only when, in the discretion of the Committee, loan applicants have met eligibility criteria and the release of money is deemed appropriate.

Article I

Membership, Offices, Fiscal Year, Annual Report and Auditing

Section 1.1 – Membership

The powers of the AFP are vested in the Committee, the members of which are appointed and hold office as provided in the Act.

Section 1.2 – Offices

The office of the AFP shall be located in the state of Arkansas as the Committee may determine from time-to-time.

Section 1.3 – Fiscal Year

The fiscal year of the AFP shall begin on the first day of October in each calendar year and shall end at the close of business on the 30th day of September of the following calendar year.

Section 1.4 – Annual Report

The Committee shall submit an annual statement of the receipts, disbursements and current investments of the fund for the preceding year to the Governor and the Rehabilitation Services Administration. The report shall set forth a complete operating and financial statement covering the operation of the AFP during the year.

Article II

Officers and Chairpersons

Section 2.1 – Officers

The Officers of the AFP shall be a Chairperson, and a Vice-Chairperson. The Vice-Chairperson shall be elected by the Committee and must be members of the Committee.

Section 2.2 – Chairperson

The Chairperson will be the Commissioner of the Arkansas Rehabilitation Services and shall serve as ex-officio member of the Committee, voting only in the case of a tie vote. The Chairperson shall perform all the duties commonly involved with his office and perform such other duties and have such other powers as the Committee may from time-to-time designate. Unless some other person is specifically authorized by the Committee, the Chairperson shall sign all contracts and other instruments executed on behalf of the AFP.

Section 2.3 – Vice-Chairperson

The Vice-Chairperson shall serve as the acting chairperson in the absence of the Chairperson and assume all responsibilities included in Section 2.2 as stated.

Section 2.4 – Appointment of Committee Members

The appointments of members of the Committee are made by the Governor of Arkansas.

The Committee shall consist of nine members as follows: the Commissioner of Arkansas Rehabilitation Services, a representative from the banking industry, a representative of a disability related consumer organization, a Certified Public Accountant, five additional citizen members from the state at-large. At least five persons on the Committee must be individuals with disabilities. The citizen members shall be appointed by the Governor. The Commissioner of the Arkansas Rehabilitation Services shall be an ex-officio member and shall serve as chairperson of the Committee, voting only in the case of a tie. All members shall be appointed for a term of three years, each term to begin July 1. Any vacancies that occur on the Committee due to death, resignations or otherwise shall be filled by appointment of the Governor to fill the unexpired term that had been created. Any member of the Committee who is absent from three successive regular meetings for any reason other than illness of the member, verified by a written sworn statement by his attending physician and entered into the minutes of the Committee, shall there by forfeit and vacate his membership on the Committee. This forfeiture shall be certified to the Governor by the Committee.

Section 2.5 – Elections

Elections of the Vice-Chairperson shall be made annually. Officers shall serve until their respective successors are elected and duly qualified.

Section 2.6 – Acting Chairperson

Whenever the Chairperson and Vice-Chairperson is unable to attend a meeting of the Committee and a quorum of the Committee is present, the members present at such meeting may designate a temporary Chairperson from among the members present who shall preside at such meeting as Acting Chairperson

Section 2.7 – Compensation

Committee members receive no salaries, but shall be paid travel and any other expenses incurred to attend meetings or while otherwise engaged in the discharge of their duties, all as may be deemed appropriate by resolution of the Committee, and within the policy limits of state employee travel reimbursement. This reimbursement cost will be provided by Arkansas Rehabilitation Services or other appropriate entities.

Section 2.8 – Bonding

Members of the AFP shall be included as named insured in bonding insurance provided by the State of Arkansas, or otherwise.

Section 2.9 – Indemnification

Each member of the Committee and any person employed by the Committee pursuant to Section 2.8 shall be indemnified by the AFP against all expenses, as hereinafter defined; which shall necessarily or reasonably be incurred by member in connection with any action, suit or proceeding to which member is or shall be a party, or with which that

member may be threatened by reason of being or having been a member or of the Committee and any person employed by the Committee pursuant to Section 2.8 at the time of incurring such expenses. Expenses, as used herein, shall include, but not be limited to, amounts of judgments against, or amounts paid in settlement by, such member of the Committee and any person employed by the Committee pursuant to Section 2.8, other than amounts payable or paid to the Committee or the AFP, but shall not include any (a) expenses incurred in connection with any matters as to which member of the Committee and any person employed by the Committee pursuant to Section 2.8 shall be adjudged in such action, suit or proceeding, without such judgment being reversed, to be liable by reason of member's negligence or willful misconduct in the performance of duties as such member or officer, or (b) expenses incurred in connection with any matters which shall be the subject of such action, suit or proceeding disposed of otherwise than by adjudication on the merits, unless in relation to such matters such member or officer shall not have been liable for negligence or willful misconduct in the performance of his duties as a member or officer. In determining whether a member or officer was liable for negligence or willful misconduct in the performance of duties as such member or officer and is for that reason not entitled to reimbursement pursuant to the foregoing provisions, the Committee may conclusively rely upon an opinion of legal counsel.

The right of indemnification herein above provided shall not be deemed exclusive of any other right to which such member may now or hereafter be otherwise entitled and specifically, without limiting the generality of the foregoing, shall not be deemed exclusive of any rights, pursuant to the statute or otherwise, of any such member of the Committee and any person employed by the Committee pursuant to Section 2.8 in any such action, suit or proceeding to have assessed or allowed in member's favor, against the corporation or any other corporation or otherwise, costs and expenses incurred therein or in connection therewith or any part thereof.

Section 2.10 – Interest of Members in Certain Transactions

Members who have a pecuniary interest in any transaction shall not vote on the particular transaction.

Article III ***Meeting***

Section 3.1 - Annual Meeting

The Annual Meeting of the Committee shall be held during the month of July of each year, or on such earlier or later date in each calendar year as the Committee may determine. The Committee, at its discretion, may also choose to establish meeting dates for the remainder of the year. The Annual Meeting shall be held at the principal office of the AFP or such other place within the State of Arkansas as shall be designated in the notice of meeting.

Section 3.2 - Regular and Special Meetings

The Committee shall meet at least once annually and may meet more often as necessary if meetings are called by the chairperson or by a majority of the Committee and all members of the committee are notified of the time, date, and place of the meeting in advance. The Committee shall meet to review individual loan applications over \$8000 and approve or deny such applications based upon information provided to or obtained by the Committee.

Section 3.3 - Notice of Meeting

Notice of the time and place of each meeting of the Committee shall be given by the Chairperson or their designee to each Member (a) by mail at least five (5) calendar days before each such meeting or, (b) in person or by telephone, facsimile, telegram, cable, courier service or hand delivery at least five (5) days before such meeting. Except as otherwise provided in Article V relating to the amendment of Bylaws, such notice need not specify the matters to be considered at the meeting. Notices by mail shall be deemed to have been given when mailed to each Member at his address appearing in the records of the AFP. Notices delivered by courier service or by hand at such address shall be deemed to have been given and received. Notices by facsimile shall be deemed to have been given when transmitted to each Member at his facsimile number appearing in the records of the AFP.

Notice to the media will be given in accordance with the Arkansas Freedom of Information Act.

Section 3.4 - Waiver of Notice

A waiver of notice of any Committee meeting in writing signed by a Member, whether before or after a meeting, shall be equivalent to the giving of notice of such meeting. A Member who attends a meeting shall be deemed to have had timely and proper notice of the meeting, unless he attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Notice of an adjourned or a continued meeting may be deemed given to any Member present at the time of adjournment or continuance.

Section 3.5 Quorum and Voting

A quorum consists of a simple majority of the members of the Committee. A quorum is required for the transaction of all business or the exercise of any power or function of the committee. Any act taken by a vote of the majority of the Members present at any meeting at which a quorum is present shall be the act of the Committee. If one or more members are disqualified from voting on any matter due to conflict of interest, the remaining members shall act for the Committee by majority vote. No vacancy in the membership in the committee shall impair the

right of a quorum to exercise all the rights and perform all the duties of the Committee. A majority of the Members present at any meeting whether or not constituting a quorum, may continue or adjourn the meeting to another time and place.

Section 3.6 - Manner of Voting

The “Ayes” and “Nays” of every vote by the Committee shall be entered upon the minutes of such meeting. Voting on all questions shall be by voice vote.

Section 3.7 - Resolutions and Effective Date

All resolutions shall be in writing and shall be contained in the minute’s section of the AFP Manual and shall be maintained by the Vice-Chairperson or their designee. Resolutions shall be effective on the date of passage, upon adjournment of the meeting, unless otherwise stated in the resolution.

Article IV

Executive Committee, Standing and Other Committees

Section 4.1 - Designation

The Chairperson may appoint an Executive Committee consisting of a Chairperson and a Vice-Chairperson, and such other members of the Committee as the Chairperson may determine. The Executive Committee shall have the power to submit recommendations for action by the committee and to perform such duties as may be delegated to it from time to time by vote of the committee.

Section 4.2 - Meetings of the Executive Committee

Meetings of the Executive committee may be at any time and place upon reasonable notice by mail, telephone or facsimile sufficient to enable attendance by all members of the Executive Committee.

Section 4.3 - Standing and other Committees

The Chairperson may appoint, from time to time, standing Committees and such other Committees as may be deemed necessary and expedient to promote the purposes of the AFP. If any standing Committee is appointed by the Chairperson, with the concurrence of a majority of the Committee, such Committee may make such decisions regarding the business of the AFP as is delegated to them, and the performance of which is supervised, by the Committee of Members. Any other working Committees may be comprised of Members and shall be advisory only and shall not be empowered to act by or on behalf of the AFP. For any committee, a quorum shall consist of a simple majority.

Article V
Amendments

Section 5.1 - Amendments

These Bylaws may be amended, supplemented or repealed by majority vote of the committee at any meeting of the committee, provided that notice of the proposed amendment, supplement or repeal (a) shall have been included in the notice of such meeting, under notice shall have been waived by any and all of the Members.

Article VI
Rules and Regulations

Section 6.1 - Rules of Order

Robert's Rules of Order, newly revised, shall govern all matters of procedure not specifically set forth in these Bylaws or the Act.

Section 6.2 - Rules and Regulations

The Committee may adopt, amend and alter from time to time, such rules, regulations or forms; which it may deem necessary or expedient for the management of the affairs of the AFP and which shall not be inconsistent with the Committee's enabling legislation. The Secretary of the AFP shall maintain current copies of all rules, regulations and forms and adopted by the AFP which shall be available for public inspection at all times at the office of the AFP.

The Technology Equipment Revolving Loan Fund
Arkansas Assistive Technology Alternative Financing Program
(AATAFP)
Loan Rules and Regulations

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SECTION 100.1

PURPOSE

The Technology Equipment Revolving Loan Fund hereafter referred to as the Arkansas Assistive Technology Alternative Financing Program (AATAFP) was created by the Arkansas General Assembly through Act 384 of 1993 as amended. As provided in the Act, the AATAFP is governed by the Arkansas Technology Equipment Revolving Loan Fund Committee. The Committee shall consist of nine members as follows: the Commissioner of Arkansas Rehabilitation Services, a representative from the banking industry, a representative of a disability-related consumer organization, a certified public accountant, and five additional citizen members from the state at-large. A minimum of five Committee members must be individuals with disabilities. The citizen members shall be appointed by the Governor. These by-laws are adopted by the Committee pursuant to the powers conferred upon it in Section 6(a)(1) through Section 8 of the Act. In case of conflict between the provisions of the by-laws and the provisions of the Act, the provisions of the Act shall take precedence over the provisions of the by-laws.

The purpose of the AATAFP is to provide qualified individuals with disabilities the financial opportunity to purchase assistive technology devices, equipment and services to enhance independence, productivity, and full participation in community.

Expenditures from the AATAFP may include, but are not limited to, communications devices, prostheses, wheelchairs, wheelchair car-lifts, ramps, roll-in-showers, and telecommunication devices for persons who are deaf or hearing impaired and devices that allow persons who are blind or visually impaired to discern printed material.

The AATAFP shall be used only when, in the judgment of the Committee, loan applicants have met eligibility criteria and the release of money is deemed appropriate.

SECTION 100.2

PROGRAMS

The Arkansas Assistive Technology Alternative Financing Program has developed loan programs to meet the needs of its customers, to meet its fiduciary and legal responsibilities as codified in A.C.A. § 20-79-301. These programs include low-interest and guaranteed-loans made through a financial partner, and direct loans made by the AATAFP.

The Committee may delegate to a loan committee the authority to review and approve or deny loan applications. Decisions made by the Committee must be in accordance with established criteria and must be ratified by the Committee at its next regular meeting.

Administration

- a. ARS and the Committee shall have the authority to administer the provision of Title III Alternative Financing Programs of the Assistive Technology Act of 1998.
- b. The Committee will approve AATAFP guidelines and procedures. ARS will designate staff to coordinate Committee functions and other administrative tasks. Duties of staff include, but are not limited to: 1) coordination, development and promulgation of rules and procedures; 2) application intake; 3) certification of an individual's disability; 4) determination of the appropriateness of the equipment or service requested; and, 5) coordination of marketing and reporting. ARS staff will serve as liaison to the Committee.
- c. The Committee will approve and authorize any contract or interagency agreement that delineates responsibilities of ARS as relates to the operation of the AATAFP.
- d. The ARS staff shall provide reports to the Committee as requested.

SECTION 100.3

DEFINITIONS

AATAFP is the Arkansas Assistive Technology Alternative Financing Program.

Applicant is for the individual submitting an application.

ARS is the Arkansas Rehabilitation Services Division of the Arkansas Department of Career Education.

Assistive Technology/Adaptive Equipment includes any item, off-the-shelf, or customized, that is used to increase, maintain, or provide a greater level of functioning in one or more of the major life activities for an individual with a disability.

Assistive Technology Services assist an individual with a disability in selecting, purchasing or learning to use assistive technology equipment. Such services include:

1. Evaluation of the assistive technology needs of an individual with a disability, including a functional evaluation of the impact of assistive technology and services in the individual's customary environment;
2. Purchase, leasing, or other provisions for the acquisition of assistive technology equipment by individuals with disabilities;
3. Selection, design, customization, maintenance, and replacement of assistive technology equipment;
4. Training, assessment or technical assistance to support individuals with disabilities, or, if appropriate, family members, guardians, advocates or other authorized representatives.

Borrower is any Arkansas resident with a disability, and his/her family members, guardians, advocates or authorized representatives who are also residents of Arkansas. The borrower must use the loan to purchase assistive technology or services on behalf of an Arkansas resident with a disability. That person must have demonstrated: (a) that the loan will be used to acquire assistive technology to help one or more persons with disabilities to improve their independence or become more productive members of the community and (b) ability to repay the loan.

Committee is the Technology Equipment Revolving Loan Fund Committee.

Disability is any physical or mental impairment that substantially limits one or more major life activities.

Individual is any person with a disability who will benefit from assistive technology or family member or primary care giver to the individual with a disability.

Insurable Property means purchased or modified assistive technology equipment at a value rate as established by the Committee.

Contract or Interagency Agreement is a document that outlines the responsibilities of Arkansas Rehabilitation Services to administer the Alternative Loan Program and Loan Funds.

Loan is funds disbursed from the Arkansas Assistive Technology Alternative Financing Program Loan Fund for the purchase of assistive of technology equipment or services and associated costs.

Loan Fund is the permanent and perpetual fund consisting of such monies as may be appropriated by the Arkansas General Assembly, gifts, bequests, endowments or federal grants, receipts by the fund from loans made by it, investment income, or other public or private funds.

Program is the Arkansas Assistive Technology Alternative Financing Program.

Resident is a person domiciled within the State of Arkansas at the time of application.

SECTION 100.4

LOAN FUND ADMINISTRATION

- A. ARS shall maintain a separate permanent AATAFP account.
- B. The Loan Fund account shall be an interest bearing account with all interest remaining in the account.
- C. The loan fund shall maintain a minimum balance as determined by the Committee. The balance will serve as a financial reserve. Any authorization to expend funds from the reserves must be approved by the Committee.
- D. ARS shall report as outlined in the interagency agreement or contract to the Committee regarding the balance and activities of the Loan Fund.

SECTION 100.5

FAIR LENDING GUIDES

The AATAFP provides assistance with loans for the purchase of assistive technology, or for other authorized expenditures to enable persons with disabilities to become more independent members of the community and to improve their quality of life.

Credit criteria will be applied equitably and fairly to all applicants without regard to race, gender, national origin, color, marital status, religion, age, disability or any factor other than sound lending and credit practices. All borrowers must be legally able to enter into a binding contract with ARS.

The AATAFP will guarantee loans only to Arkansans with disabilities and their family members within the state of Arkansas who meet the Committee standards of being creditworthy and demonstrate the ability to repay the loan.

The AATAFP does not disclose any nonpublic personal information about its' customers or former customers to anyone, except as permitted by law. In addition, the AATAFP maintains physical, electronic, and procedural safeguards complying with federal regulations to guard the nonpublic personal information.

SECTION 100.6

CREDIT CRITERIA GUIDE

Consumer

While the Committee has flexible loan criteria, there must be a reasonable expectation that the borrower will repay the loan. Loan applicants must demonstrate patterns of stability such as type of residence, length of time at residence, length of time at present job and credit history. An applicant with a poor credit history will be required to present evidence that he/she is addressing the issue by reducing his/her current debt ratio, assuring cash flow is sufficient for living expenses and loans and making written arrangements with borrowers.

The two most important criteria for an AATAFP loan are credit history and capacity to repay. An application will be declined if the applicant exhibits a pattern of adverse credit that cannot be adequately explained and is not being addressed. An individual who does not have adequate resources after paying all other obligations (as measured by a debt-to-income ratio or discretionary income) may not be approved for a loan or a loan guarantee.

The Committee will not provide loans for terms that exceed the amortized value or the general life expectancy of the equipment. While the Committee may make exceptions for individuals who can prove their ability to repay, a 50 percent debt-to-income ratio (including the monthly AATAFP loan payment) is required for loan approvals. Applicants who do not meet that requirement may provide a qualified co-applicant.

Individuals having debt or credit issues will be required to provide additional financial and/or other information in order to qualify for a loan guarantee. Individuals having unacceptable credit may provide a qualified co-applicant. If the Committee cannot verify that an applicant's poor credit history is directly related to the individual's disability, the Committee will not approve an AATAFP guaranteed loan application. The Committee will also deny individuals who do not exhibit financial or personal stability.

SECTION 200.1

CONSUMER PRODUCT PROFILE

Product Summary: The Authority may offer installment loans directly to the individuals without involvement of their financial partner depending on the requested loan.

Type of Loan:	Secured and Unsecured
Purpose:	AT Equipment
Minimum Loan:	None
Maximum Loan:	\$50,000
Rate:	Fixed, Prime Rate (determined by <i>Wall Street Journal</i>) plus 50 basis points
Floor:	3%
Term:	Up to 120 months or useful life of equipment; special circumstances may warrant longer terms
Payments:	Fixed; amortized using the term and rate of the loan.

SECTION 300.1

ELIGIBILITY

- a. Applicant must be an Arkansas resident with a disability, and his/her family members, guardians, advocates, or authorized representatives who are also residents of Arkansas. The applicant must use the loan to purchase assistive technology or services on behalf of an Arkansas resident with a disability that substantially limits one or more major life activities. Eligibility for individuals with temporary disabilities will be determined by the Committee on a case-by-case basis.
- b. Supporting documentation required by ARS and the lending institution must be provided.
- c. ARS or the Revolving Loan Fund Sub-Committee may determine an applicant is ineligible for the program when the applicant has defaulted on a previous loan made through the program, violates any provisions of the program or ceases to meet eligibility requirements established by the Committee.
- d. An applicant who has previously been rejected for a loan from the AATAFP may not reapply unless the new application presents a significant change in information from the previously denied application as determined by ARS staff.
- e. Loans shall not be made for the purpose of refinancing any existing loan, unless approved by the Committee.

SECTION 300.2

APPLICATION PROCESS

- Applicants will receive application packets from ARS field office, Internet site or AATAFP office. Application packets will contain all forms required for application, including an AATAFP loan application and instructions and a documentation check list.
- The AATAFP will request proof of disability, proof of income and a check, cashier's check or money order for the credit check processing fee. The Committee may ask for additional justification such as evaluation report, doctor's orders, or vendor quotes if the device requested is something not considered to be assistive technology.
- Upon receipt of the completed loan application packet, the AATAFP will prepare a credit and/or loan memo summary to the Loan Committee for evaluation. The Loan Committee will make its loan decision based on credit criteria established by the AATAFP and information obtained by the AATAFP. If the application is approved, the AATAFP will transmit the loan closing documents to the applicant. An applicant whose application is rejected will be notified in writing.
- If an application is incomplete, the applicant may be required to provide proof of additional income, proof of disability, or proof that the requested technology meets program criteria for assistive technology.

SECTION 300.3

DIRECT LOANS

Consumer Underwriting Guidelines

Product Summary

The amount of a loan shall cover the reasonable cost of the assistive equipment and services, as indicated by materials submitted with the applications. Loan applications up to \$8,000 will be evaluated and approved by the AATAFP Executive Director. Loan applications between \$8,000 and \$50,000 will be evaluated and approved by the loan Sub-Committee. Loans will be booked and serviced by the AATAFP in accordance with established criteria and procedures. Terms shall not exceed 20 years.

- a. The Committee shall establish the loan interest rate parameters. Interest rates in effect at the time an application is received by ARS are fixed for the term of the loan.
- b. ARS may inspect equipment or review proposed services or modifications to ensure they meet assistive technology requirements.
- c. ARS will coordinate the filing of documents required to provide ARS a security interest in items purchased or modified with AATAFP funds through deeds of trust, liens on titled vehicles, and Uniform Commercial Code (UCC) filings for collateral.
- d. A borrower must request permission from the Committee and notify ARS if collateral will be relocated to and/or registered in a state other than Arkansas. UCC filings will be required for the additional state at the borrower's expense.

The borrower must obtain two bids from licensed contractors when requesting a loan of more than \$5,000 for home modifications. Bidding contractors must document home construction work performed and must provide a firm turnkey price in the bid.

- e. ARS or the Committee may require additional information and charges on all loans secured by mortgages on real property.
- f. There will be no prepayment penalty on AATAFP loans.
- g. A loan is considered delinquent or in default according to the criteria set forth in the loan document.
- h. Borrowers will be assessed late payment and insufficient check fees as established by the Committee.
- i. Loan applicants must demonstrate awareness of what training and maintenance is available for the technology being requested.
- j. Loans will not be provided for terms exceeding the amortized value or general life expectancy of the equipment.

Credit Criteria Guidelines:

Beacon Score: A Beacon Score of 550 or greater is required. A Beacon Score of 550 or greater is acceptable if the related credit issues were disability related and the applicant(s) has since demonstrated the ability to meet his/her credit obligations or initiated the process to meet the credit obligations.

- If the application is a joint request, the higher bureau score will be used.

Credit History Requirements:

- A loan application will be denied if the applicant has a credit rating of R3/I3 and greater unless the poor credit is directly attributable to the individual's disability.
- A loan applicant with a bankruptcy and/or public records documenting unpaid collections and judgments within the last two years after a bankruptcy discharge will not be approved for a loan unless the bankruptcy/unpaid collections and judgments are directly attributable to the individual's disability. An applicant with a bankruptcy or unpaid collections and judgments must demonstrate/show a re-established credit history and evidence of the ability to meet credit obligations.
- Additional documentation may be requested to verify whether the applicant(s) has paid outstanding balances on delinquent loans, unpaid collections/judgments or defaulted loans.
- Additional credit history documentation may be requested.
- Loans will not be made to applicants who have previously defaulted on a loan to AATAFP.

Debt to Income Ratio:

- A 50 percent debt-to-income ratio is allowable if the borrower can adequately document sufficient cash flow or assets to repay the loan.

Individuals approved for special funding (such as a Plan to Achieve Self Support (PASS) through SSA, or a MAP-122 Adjustment through DMAS) will be considered without regard to their debt to income ratio.

Covenants of Borrower:

- Applicants must have adequate and reliable income to meet their credit obligations (including the new loan payment).
- The borrower shall comply with all applicable code, planning, zoning, sanitary, building and environmental laws, ordinances and regulations of the federal, state, and local governments.
- The borrower agrees not to convey, lease or transfer any collateral for the loan without the prior written consent of ARS or the Committee.
- The borrower will pay, when due, all taxes or charges assessed against any collateral and shall provide proof of payment to ARS.
- Property used as collateral to secure the loan shall be insured at an amount determined adequate by the Committee and shall maintain the collateral in good condition. The borrower will repay any advances or expenses necessary to protect the collateral or enforce the rights of ARS against the borrower or the collateral.
- The borrower will not materially alter or relocate collateral without the prior written approval of and notification to ARS. Notification of such will be provided to the Committee.
- The borrower will comply with such other covenants as the Committee may impose or establish.

SECTION 300.4

TREATMENT OF DEBT

A current credit bureau report on the loan applicant will be used by the Loan Sub-Committee and Committee to assess the applicant's willingness and ability to repay. All current liabilities with regular monthly payments (as indicated by the credit bureau report and the credit application/financial statement) will be considered as follows in the calculation of the applicant's debt to income ratio:

R - Revolving Accounts (not including Equity Lines of Credit)

On accounts with outstanding balances, payments will be calculated based on minimum payment due as reported by credit bureau report.

R- Equity Revolving Lines of Credit

On revolving accounts that are secured with home equity, payments will be calculated using 1.5 percent of the outstanding balance.

O – Open Accounts (American Express, Diners Club)

Accounts that are due and payable in full each month will not be included in the debt-to-income ratio regardless of the balance. An open account may also include a debt that is not in repayment status, such as some student loans.

I – Installment Loans

If an installment debt shows four months or fewer payments remaining, the payment will not be included in the D/I ratio.

SECTION 300.5

TREATMENT OF INCOME

All wages, salary, commissions, interest, pensions and other sources of financial support, paid or in kind including Supplemental Security Income (SSI), Social Security Disability Income (SSDI) and retirement benefits, shall be considered as income. The Adjusted Gross Income (AGI) includes non-taxable income made equivalent to taxable income by multiplying the non-taxable income by 0.25.

Hourly Income Rates

Hourly income will be converted to a yearly rate of pay based on the average number of hours the applicant works in a month.

Income Ranges

If an applicant provides an income range, the average of the range will be calculated to determine salary as in the following example:

Annual base salary: \$10,000

Commissions: Range between \$15,000 and \$20,000 = \$17,500 average of range

Annual salary: \$27,500

Rental Property Income

Rental property income will be calculated using the following formula:

Gross monthly rent – monthly mortgage payment = net amount

Note: The formula does not apply if the monthly mortgage payment is for the applicant's primary residence.

The net amount will be entered as debt or income. Neither the gross rent nor the mortgage payment will be used in the D/I calculation.

Self-Employment Income

The income of self-employed individuals will be determined from federal tax returns and schedules. Generally self-employment income can be calculated by taking the net income figure from the various schedules and adding back any non-cash expenses, i.e. depreciation, but other issues such as the stability and sustainability of the income will be considered.

Non Taxable Income

The following types of income will be grossed up to adjust for the non-taxable status prior to calculating the debt-to-income ratio.

- Social Security
- Disability
- Public assistance (excluding unemployment)
- Tax-free interest income

The following formula will be used to calculate the grossed up amount of the types of income listed above:

Income amount X 0.25 = grossed up amount (rounded to nearest dollar)

Investment Income

Investment income will be determined by averaging the two most recent years' income. Interest and dividend income may be considered ongoing income; however, capital gains will be treated as a one-time income opportunity.

SECTION 300.6 **LOAN COMMITTEE**

The Committee has delegated authority to the loan sub-committee to recommend approval or denial of loan applications in accordance with credit criteria established by the Committee. All loan decisions approved by the Commissioner of ARS will be considered final and will be ratified by the Committee at its next regular meeting. The structure of the loan sub-committee is as follows:

- The loan sub-committee will meet to evaluate loan requests.
- The loan sub-committee will consist of five (5) members with a quorum of three (3) members.
- No Committee member “and loan sub-committee member” may participate in a vote on an application in which that member has a direct or indirect financial interest in the outcome of the vote.
- The Executive Director of the AATAFP will recommend approval of loans up to \$8,000.
- The Executive Director will:
 - Prepare the loan summary sheet for each pending application
 - Present the loan to the committee at the meeting
- Loan sub-committee members will discuss the application and then vote to recommend approval, denial, or request additional information.
 - Approvals or denials made outside of AATAFP credit policy require documentation of exceptional circumstances.
- Appeals will be heard by the AATAFP Committee.
- A summary of loan decisions since the previous loan sub-committee meeting will be provided to the Committee for ratification at its next scheduled meeting.

SECTION 400

CREDIT AND COLLATERAL DOCUMENTATION

Consumer Loans

The following documents are used for consumer loans. Copies of each document should be held on file in the AATAFP office.

AATAFP Direct Loan Application

Credit Report

Supporting Documents (Proof of Income, Disability and Identity) and AATAFP Checklist

Loan Data Summary

Loan Amortization Schedule

Promissory Note and Security Agreement

Notification of Approval/Denial

Disbursement Letter

If vehicle, Notice of Insurance Requirements and Title of Vehicle with AATAFP as lienholder

SECTION 500.1

Payment of Loan Proceeds

- ARS will disburse loan funds directly to the provider of equipment or service.
- ARS requires an invoice, statement or other documentation for all items purchased with loan funds.

SECTION 500.2

APPEALS PROCESS

- A. If ARS denies an application, the applicant may make a request for reconsideration of the application within the timeframe outlined by the Committee.
- A. Initial appeal requests should be made in writing and directed to the person at the address provided in the denial letter.
- C. If the situation is not resolved to the applicant's satisfaction, the applicant has the right to appeal to the Committee. Within 20 business days of receiving ARS's response, the applicant may request a review by the Committee. The applicant must make the request in writing and include all supporting information.
- D. The Committee may hear appeals during any regularly scheduled Committee meeting or a special meeting called for this purpose.
- E. Designated ARS staff will participate in the meeting. The Committee may approve the hearing to be held by teleconference. When the hearing is conducted by teleconference, at least one Committee member will participate in person.
- F. The Committee will:
 - 1. Hear clarification of information already submitted
 - 2. Provide the applicant an opportunity to be heard
 - 3. Inform the applicant of its decision at the meeting or within the timeframe outlined in the procedures.
- G. The Committee will vote on one of the following courses of action: support the appeal of the applicant, offer an alternative such as approval for a lesser amount, grant approval with conditions, or deny the appeal. No Committee member may participate in a vote on an application where that member has a direct or indirect financial interest.
- H. The decision of the Committee will be final.

SECTION 600

LOAN ADMINISTRATION

- A. All loan servicing and administration will be the responsibility of ARS and/or its assignee.
- B. ARS will prepare loan documentation after the loan application has been approved. ARS will be responsible for loan closings.
ARS will service loans according to the interagency agreement including borrower notification of collection timeframes and default consequences.
- C. If the borrower goes into default for more than 30 days; ARS shall take action as specified in law and the loan documents, ARS will consider the following in determining what action will be taken:
 - a. The likelihood that the loan will be repaid if loan terms are modified and approved.
 - b. The impact of debt collection on the borrower.
- D. ARS may review requests from borrowers to modify the terms of loan repayments and submit such requests to the Committee.
- E. The Committee may consider a request for modification of loan terms or conditions for certain conditions including, but are not limited to:
 - a. Medical/physical change
 - b. Compounding disability
 - c. Change in employment status
 - d. Injury on the job
- F. ARS will demonstrate a process of reasonable and timely interventions to keep the loan active. The Committee may authorize ARS to reclaim the equipment or discharge the debt in accordance with the State of Arkansas debt abatement procedures. In the event the borrower dies and there is not a viable option to pay off the loan, the Committee may discharge the debt and donate the equipment to an ARS assistive technology program.
- G. ARS will apply payments or other monies received on loans, not in default first to accrued interest, second to principal and to late charges.
- H. Borrowers may repay current interest and outstanding balance, and accelerate payments without penalty.

SECTION 700.1

COLLECTION POLICIES

Extensions

The term of the loan may be extended for a specified number of months to allow a borrower to defer the normal monthly payment(s). Interest continues to accrue on the loan, and the loan payments missed are not considered past due or reported as delinquent.

Borrowers are contacted when a payment becomes 30 days past due. Extensions may be granted for unusual circumstances, such as medical issues, change of residence or unemployment. Borrowers requesting an extension should be able to resume their payments after the extension period. Extensions are discouraged for borrowers who are overextended financially and unable to make payments or who will not be able to resume their monthly payments when the extension period ends

Extensions

- No extensions during the first three months of the loan
- No more than two extensions during the original loan period except in extraordinary circumstances
- Loan extensions up to three months will be approved by the Executive Director

In certain extraordinary situations, the loan subcommittee may consider extensions for longer than three months or more than two extensions during the original loan period. All extensions approved by the Executive Director or loan committee will be reported to the Committee at the next regularly scheduled Committee meeting.

Abatements (Charge Offs)

- Accounts that are more than 180 days delinquent will be referred to the Committee for recommendation to charge off the loan within 30 days after the account has been delinquent for 180 consecutive days. Committee recommendations for charge off will be forwarded to the Arkansas State Chief Fiscal Officer for adjudication.
 - a) Exceptions to Charge-offs. The customer is making payments in accordance with an agreement reached with the collections agency or AATAFP Executive Director.
 - b) The customer has accident and health claims pending or payments forthcoming.

- c) The collateral securing the loan has been repossessed and liquidation is scheduled within 90 days of the account becoming 180 days delinquent.

The account is still in the first 180 days of delinquency.

- d) The Committee will review and forward any recommendations for exceptions to these parameters to the Arkansas State Chief Fiscal Officer for adjudication.
- Accounts of borrowers who have declared bankruptcy will be recommended for charge off to the Arkansas State Chief Fiscal Officer within 90 days of receipt of the Bankruptcy Notice.
 - a) Exceptions to Charge-offs for Borrowers Declaring Bankruptcy. The customer continues to pay and maintains the account in good standing. (Chapter 7 status).
 - b) Reaffirmation of the debt has been completed or is pending, and the customer is making regular payments.
 - c) The account is being paid outside the plan. (Chapter 13 status).
 - d) The Committee will review and forward any recommendations for exceptions to these parameters to the Arkansas State Chief Fiscal Officer for adjudication.
- Accounts of deceased borrowers will be recommended for charge off to the Arkansas State Chief Fiscal Officer within 90 days of the receipt of death certificate.
 - a) Exceptions to Charge-offs for Deceased Borrowers. The executor or administrator or individual legally responsible for the estate has indicated life insurance benefits will be forthcoming prior to the account becoming 180 days past due.
 - b) Payment arrangements have been made by the maker, co maker or endorser.
 - c) Payment arrangements have been made with the executor/administrator, individual legally responsible for estate or individual/guarantor accepting responsibility for the obligation to bring account current within 120 days.
 - d) The Committee will review and forward any recommendations for exceptions to these parameters to the Arkansas State Chief Fiscal Officer for adjudication.

Loan Discharge

The Committee may recommend to the Arkansas State Fiscal Officer that a loan be discharged for the following reasons:

- Medical/physical issues
- Compounding disability
- Change in employment status

Repossessions

AATAFP will evaluate delinquent auto loans for potential repossession when the account reaches 120 days past due, or earlier, if repayment is judged to be unlikely and the potential realized value of the sale exceeds the cost of repossession.

- Prior to repossession, AATAFP will review the account to:
 - ensure there has been diligent collection activity in accordance with the Collection procedure manual
 - evaluate the potential value of the repossession and liquidation sale compared to the expense incurred to AATAFP
 - determine if the reasons for non-payment warrant an exception for loan modifications or discharge of debt
 - determine if the repossession process should proceed

SECTION 800.1

Confidentiality

ARS is responsible for complying with the legal requirements to protect the confidential nature of information in individual files, including all personally identifiable information contained in reports, lists and other paper or electronic documents, and for prohibiting unauthorized access to them. In accordance with federal and state regulation, the state will safeguard the confidentiality of all personal information pursuant to 34 C.F.R. § 361.38 and the Federal Privacy Act of 5 U.S.C.A. § 552A.

FINANCIAL IMPACT STATEMENT

PLEASE ANSWER ALL QUESTIONS COMPLETELY

DEPARTMENT of Career Education

DIVISION Arkansas Rehabilitation Services

PERSON COMPLETING THIS STATEMENT Joseph Baxter, CFO

TELEPHONE NO. 501) 296-1614 **FAX NO.** (501) 683-4714 **EMAIL:** joseph.baxter@arkansas.gov

To comply with Act 1104 of 1995, please complete the following Financial Impact Statement and file two copies with the questionnaire and proposed rules.

SHORT TITLE OF THIS RULE

The Arkansas Assistive Technology Alternative Financing Program

1. Does this proposed, amended, or repealed rule have a financial impact?
Yes _____ No X

2. Does this proposed, amended, or repealed rule affect small businesses?
Yes _____ No X

If yes, please attach a copy of the economic impact statement required to be filed with the Arkansas Economic Development Commission under Arkansas Code § 25-15-301 et seq.

3. If you believe that the development of a financial impact statement is so speculative as to be cost prohibited, please explain.

4. If the purpose of this rule is to implement a federal rule or regulation, please give the incremental cost for implementing the rule. Please indicate if the cost provided is the cost of the program.

Current Fiscal Year

Next Fiscal Year

General Revenue 0
Federal Funds 0
Cash Funds _____
Special Revenue _____
Other (Identify) _____

Total 0

General Revenue 0
Federal Funds 0
Cash Funds _____
Special Revenue _____
Other (Identify) _____

Total 0

5. What is the total estimated cost by fiscal year to any party subject to the proposed, amended, or repealed rule? Identify the party subject to the proposed rule and explain how they are affected.

Current Fiscal Year

Next Fiscal Year

\$ 0

\$ 0

6. What is the total estimated cost by fiscal year to the agency to implement this rule? Is this the cost of the program or grant? Please explain.

Current Fiscal Year

\$ 0 _____

Next Fiscal Year

\$ 0 _____
