

MASTER PROMISSORY NOTE AND FORGIVABLE LOAN AGREEMENT

Transforming Principal Preparation Program

This MASTER PROMISSORY NOTE AND FORGIVABLE LOAN AGREEMENT (“Note”) is entered into by the undersigned borrower (“Borrower”), who is a recipient of a forgivable loan under the Transforming Principal Preparation Program (“Program”) and the State Education Assistance Authority, a political subdivision of the State of North Carolina (“Authority”). Capitalized terms not defined herein have the meanings ascribed to them in the Rules Governing the Transforming Principal Preparation Program, as may be amended from time to time (the “Program Rules”).

1. **Purpose.** The Program was established by the General Assembly of the State of North Carolina to provide financial assistance in the form of forgivable loans to Program Participants attending select School Leader Preparation Programs at Grant Recipient Institutions and who subsequently serve as a School Leader in the North Carolina Public Schools. Loans are funded from State appropriations.
2. **Award of the Loan.** Provided that the Borrower continuously complies with all of the terms and conditions set out in this Note and the Program Rules, the Authority may award Loans to the Borrower under this Note, for completion of a School Leader Preparation Program in a total amount not to exceed the maximum amount for which the Borrower is eligible under Section G.S. § 116-74.48 or G.S. § 116-209.77.
3. **Promise to Pay.** For and in consideration of the award of a Loan for each Academic Year of the Borrower’s study at a School Leader Preparation Program at a Grant Recipient Institution, the Borrower promises to pay the Authority, or its successor, the total principal amount of all Loans disbursed under this Note, together with interest on the unpaid balance thereof at the rate of eight percent (8%) per year, as well as costs, late charges, and fees, including collection fees and attorney’s fees in case of default, subject to the terms and conditions as set forth in this Note and the Program Rules. The Borrower acknowledges and agrees that the Borrower may receive one or more Loans under this Note, and that all Loans so received must be forgiven through employment as a School Leader in a Qualified Position as provided by the Program Rules or repaid in cash.
4. **Eligibility.** To participate in the Program, the Borrower must be enrolled, or accepted for enrollment, as a Full-time student in a School Leader Preparation Program at a Grant Recipient Institution and otherwise meet the eligibility requirements of the Program. If the Borrower is permitted under the Program Rules to transfer to a different School Leader Preparation Program at a different Grant Recipient Institution, all of the terms and conditions of this Note shall remain in effect.
5. **Academic and Other Requirements.** During each Academic Year for which the Borrower receives a loan through the Program, the Borrower agrees to:
 - (a) Honor the terms of this Note;

- (b) Continue to meet the initial eligibility requirements of the School Leader Preparation Program, as set by the Commission and the Grant Recipient Institution;
- (c) Comply with any academic standards set by the Commission or the Grant Recipient Institution;
- (d) Remain continuously enrolled as a Full-time student in good standing in the School Leader Preparation Program;
- (e) Participate in required program activities, unless an exemption has been approved by the Director; and
- (f) Remain otherwise eligible for a Loan under the Program Rules.

6. Termination Due to Loss of Eligibility. The Borrower shall be terminated from the Program prior to the completion of his or her School Leader Preparation Program and the Loan(s) shall be terminated as of and upon the occurrence of any of the following events:

- (a) The date of withdrawal of the Borrower from the School Leader Preparation Program at a Participating Institution;
- (b) The date the Commission or the Authority determines that the Borrower has failed to meet the standards set by the Commission or the Grant Recipient Institution;
- (c) The date the Commission or the Authority determines that the Borrower is no longer eligible under the Program Rules;
- (d) Written notice to the Authority from the Borrower that the Borrower does not intend to seek Loan forgiveness through employment in a Qualified Position; or
- (e) A determination by the Commission or the Authority that the Borrower does not intend to seek Loan forgiveness through employment in a Qualified Position.

7. Use of Social Security Number. The Borrower understands and agrees that the Borrower is providing his or her Social Security Number to the Authority voluntarily and hereby consents to the Authority's use of that number to administer Loans under the Program.

8. Eligibility for Loan Forgiveness. The Borrower must complete his or her School Leader Preparation Program and any other professional enrichment and enhancement activities required by his or her Program or the Commission to be eligible to seek Loan forgiveness. The Authority shall forgive the total principal amount of all Loans disbursed under this Note, and any interest accrued on such Loans according to the Program Statute and Program Rules, for employment as a School Leader in a Qualified Position. In order to qualify for loan forgiveness, the employment in a Qualified Position must be completed within seven years after graduation from the School Leader Preparation Program, exclusive of any authorized deferment for extenuating circumstances. Fifty Percent of the total amount of the Loans shall be forgiven for one year of Full-Time Employment as a School Leader in a Qualified Position in a North Carolina Public School that qualifies as a High-Need School.

Twenty-five percent of the total amount of the Loans shall be forgiven for one year of Full-Time Employment as a School Leader in a Qualified Position in a North Carolina Public School that does not qualify as a High-Need School. Employment for less than twelve (12) months as a School Leader in a Qualified Position may qualify for a period of loan forgiveness at a rate based on a formula set by the Authority. The Borrower shall inform the Authority within thirty (30) days if the Borrower discontinues employment in a Qualified Position. The Authority will provide the Borrower with a cash repayment schedule for the balance of the Loans not forgiven through employment in a Qualified Position.

The Borrower is responsible for securing employment that qualifies for forgiveness and for obtaining approval of that employment from the Authority.

9. **Notice of Intent to Seek Loan Forgiveness.** Within ninety (90) days following the Borrower's graduation from the School Leader Preparation Program, the Borrower shall notify the Authority, in a form acceptable to the Authority, of the Borrower's intention to seek Loan forgiveness through employment in a Qualified Position or to repay the Loan or Loans in cash.
10. **Interest Accrual.** Interest at the fixed rate of eight percent (8%) per year shall accrue on the principal amount of all loans disbursed under this Note beginning ninety (90) days after completion of the School Leader Preparation Program or ninety (90) days after termination from the School Leader Preparation Program, whichever is earlier. Interest will continue to accrue until the Loans are repaid in full, including while the Program Participant is employed in a Qualified Position, while the Program Participant is making cash payments, and during any period of Deferment or Forbearance.
11. **Cash Repayment.** The Borrower shall commence cash repayment of the Loans no later than twenty-seven (27) months after graduation from the School Leader Preparation Program, unless the Borrower is employed in a Qualified Position or beginning ninety (90) days from the date on which the Loan or Loans have been terminated, as defined in the Program Rules. The Borrower will make consecutive monthly payments on or before due dates stated on the Borrower's monthly statements in order to pay the Loan in full within the repayment period.
12. **Application of Cash Payment to Amounts Owed.** Each cash payment will be applied first to all reasonable costs of collection, including without limitation, collection fees and costs that may be incurred by the Authority or its agents for the use of external collection agencies, and attorney's fees, and court costs and other fees that are permitted by State and federal law and are necessary for the collection of any amount of the Loan not paid when due, if any, then to late fees, then to accrued interest, and the remainder to principal. The cash repayment schedule shall provide a minimum monthly payment of at least fifty dollars (\$50.00); however, the actual minimum payment may be higher based on the total amount borrowed.

- 13. Payment in U.S. Dollars.** The Borrower agrees to make all payments in U.S. dollars from a financial institution domiciled in the United States.
- 14. Cash Repayment Period.** The cash repayment period generally shall not exceed ten (10) years. The repayment period may be less than ten (10) years depending on the Borrower's School Leader Preparation Program and on the amount of the Borrower's Loan or Loans. The repayment period begins no later than twenty-seven (27) months after graduation from the School Leader Preparation Program, unless the Borrower is employed as a School Leader in a Qualified Position or beginning ninety (90) days from the date on which the Loan or Loans have been terminated. At all times during the repayment period, the Borrower shall be (1) employed in a Qualified Position, (2) making monthly cash payments, or (3) in a period of approved Deferment or Forbearance.
- 15. Deferment.** Under the Program Rules, the Authority may grant the Borrower a Deferment, which may extend the repayment period. The Borrower is responsible for notifying the Authority if they no longer meet the deferment qualifications. Interest continues to accrue during any period of Deferment.
- 16. Forbearance.** Under the Program Rules, the Authority may grant the Borrower a Forbearance that will modify the terms of cash repayment. The granting of a Forbearance is at the discretion of the Authority. Interest continues to accrue during any period of Forbearance.
- 17. Prepayment and Refunds.** The Borrower hereby acknowledges and agrees that he or she, or any person acting on his or her behalf, may repay in cash all or any part of the Loan or Loans at any time after execution of this Note. Any amounts paid before the Borrower's completion of the School Leader Preparation Program or during the Borrower's eligibility for Loan forgiveness through employment in a Qualified Position under this Note shall not be refunded to the Borrower.
- 18. Default.** In the event of default, the Authority may declare the entire unpaid balance of principal and interest evidenced by this Note immediately due and payable. Default shall also preclude the Borrower from receiving additional Loans under the Program or any other programs administered by the Authority. Default may occur at any time after the Date of Disbursement. The following events shall constitute default under this Note:
- (a) The Borrower is in cash repayment and his or her account is more than one hundred and eighty (180) days past due;
 - (b) Failure to comply with the Program Rules;
 - (c) The Borrower is in default on any other loan(s) that the Borrower already has with the Authority, or on any other loan(s) the Borrower may have with the Authority in the future; or
 - (d) Any false representation by the Borrower regarding the Loan or Loans.

The failure or delay on the part of the Authority to exercise its option under this paragraph shall not constitute a waiver of the right to exercise such option in the event of a continuing or future default.

Upon default, the Authority will notify the Borrower of such default and its exercise of the option to declare the entire unpaid balance due and payable. Upon default, the Authority, or its authorized agents, may disclose to credit bureau organizations that the Borrower has defaulted on the Loan, which may adversely affect a Borrower's credit rating, and may obtain credit reports on the Borrower as long as any amount remains unpaid under this Note.

Upon default, the Authority will pursue all available means of collection under North Carolina law, including without limitation, setoff of State income tax refunds and Education Lottery winnings, wage garnishments, collection under the State Employee Debt Collection Act, referral of this Note to the North Carolina Attorney General's Office for collection, and referral of this Note to external collection agencies.

19. Collection Costs. In the event of default under this Note, the Borrower agrees to and is bound to pay the Authority all reasonable costs of collection, including without limitation, collection fees and costs that may be incurred by the Authority or its agents for the use of external collection agencies, and attorney's fees, court costs and other fees that are permitted by State and federal law and are necessary for the collection of any amount of the Loan not paid when due. The Borrower also understands that under Section 6-21.2 of the North Carolina General Statutes, if the services of an attorney are necessary for the Authority to enforce this Note, the Borrower will pay reasonable attorney's fees of 15% of the outstanding balance owing on the Note, even if the Authority utilizes the services of the North Carolina Attorney General's Office.

20. Waiver of Certain Process and Notice. The Borrower hereby waives presentment for payment, demand, protest, notice of protest, nonpayment and dishonor and further agrees that an extension or extensions of time for payment may be granted for a definite or indefinite period of time without notice. The Borrower agrees to remain liable under the terms of this Note until full repayment is completed through Loan forgiveness or cash repayment. Any notice required to be given to the Borrower will be deemed effective if it is sent by first class mail to the last address the Borrower has provided to the Authority. A Borrower's refusal to accept mail or returning mail does not negate such notice.

21. Waiver of Statute of Limitations. The Borrower agrees not to plead and expressly waives the statute of limitations defense in any suit, action, or other proceeding for the collection or recovery of any amount due under this Note.

22. Use of Loan Funds. The proceeds of the Loans shall be used solely for the Borrower's cost of attendance for the School Leader Preparation Program, as permitted by the Commission and the Authority.

- 23. Not a Federal Loan.** This is an education loan provided under a program created by the North Carolina General Assembly, funded by the State, and administered by the North Carolina Principal Fellows and TP3 Commission, the UNC System Office, and the Authority, an agency of the State of North Carolina. This education loan is not a federal student loan, and consequently, does not qualify for various options currently available for federal loans, such as interest subsidies, income-based repayment options, or consolidation with federal loans.
- 24. Release of Information to and from School.** The Borrower authorizes his or her School Leader Preparation Program and its agents and contractors to release to the Authority any requested information pursuant to this Loan (e.g. eligibility, enrollment status, current address). The Borrower also authorizes the Authority to release personal and financial information to the Commission and to the Borrower's School Leader Preparation Program in connection with this Loan.
- 25. Consent to be Contacted.** I understand that by providing you with my mobile phone number, the number for any other mobile device, or a number which is later converted to a cellular or mobile phone number, I am providing you with express written consent to contact me on such provided number (s), both directly and with automatic telephone dialing systems, by human operators and/or artificial or prerecorded voice or text messages, with regards to the statute of my application or account for the Loan(s) made under this Note, even if the number is on a do not call registry or list.
- 26. Late Charges.** For any payment received fifteen (15) days or more after the due date, the Authority may, to the extent permitted by State law, charge a late fee.
- 27. Bankruptcy.** The Borrower hereby acknowledges and agrees that all Loans under this Note are educational loans made under a program which is funded by the State of North Carolina, and as such, are not dischargeable in bankruptcy except as may be permitted under 11 U.S.C. § 523(a)(8).
- 28. Attempt to Satisfy Obligation.** The Authority reserves the right to reject a Borrower's check, money order, or other instrument marked "payment in full." Marking a payment as such will not satisfy or discharge the Borrower's obligation under the Note, disputed or otherwise, even if such instrument is processed by the Authority, unless such payment is in fact sufficient to pay the amount due according to the Authority's records.
- 29. Death.** Upon notification by the Commission, the Authority will cancel the Loan or Loans if the Borrower dies while the Borrower is enrolled in a School Leader Preparation Program. Unless otherwise provided by State law, the Authority shall cancel the Loan or Loans, if the Commission finds it is impossible for the recipient to work for four years as a School Administrator, within seven years after completion of the School Leader Preparation Program due to the Borrower's death. Unless otherwise provided by State law, if the Borrower is in cash repayment at the time of death, the Authority may recover the outstanding balance on the Loans from the Borrowers' estate or cancel the Loan at the discretion of the Authority.

30. Permanent Disability. Unless otherwise provided by State law, the Authority may forgive the balance of the Loan upon a finding by the Commission, supported by the opinion of a licensed doctor of medicine or osteopathy, that the Borrower cannot fulfill requirements for Loan forgiveness through employment in a Qualified Position or cash repayment because of the Borrower's permanent disability.

31. Borrower's Responsibilities. The Borrower hereby acknowledges and agrees that, as long as he or she is participating in the Program and any funds advanced under this Note are due and owing, he or she shall:

- (a) Notify the Authority of any change in his or her academic status within 15 days of such change;
- (b) Notify the Authority of any change in his or her name, address, telephone number and email address within 15 days of such change;
- (c) Promptly provide verification of employment to the Authority as required by the Program Rules for Loan forgiveness; and
- (d) Otherwise comply with the Program Rules.

32. Limitations. No provision of this Note shall be construed to require the Authority to advance Loan funds to the Borrower in the event the General Assembly does not appropriate funds for the Program.

33. General Provisions. The Borrower hereby acknowledges receipt of a copy of this Note. This Note is governed by the laws of the State of North Carolina in all respects, including but not limited to issues of construction, performance and validity. Whenever possible, each provision of this Note shall be interpreted in such a manner as to be effective and valid under applicable law; but if any provision of this Note is invalidated under such law, the remaining provisions of this Note remain valid and enforceable. The paragraph headings are for the convenience of reference only and shall not be considered terms of this Note. The terms of this Note may be altered, amended or modified only by a writing signed by all parties to this Note. This Note shall be binding upon the Borrower and the Borrower's heirs, executors, administrators, successors, and assigns thereof and shall inure to the benefit of and be enforceable by the Authority, its successors, transferees, and assigns.