

14. FACULTY-STAFF LOAN FUND

Guidelines and Procedures

Upon a gift from R. Philip Hanes, Jr., the UNCSCA Foundation Faculty-Staff Loan Fund (known as the Loan Fund) was established. The Loan Fund shall be administered under the authority of the University of North Carolina School of the Arts Foundation's Board of Directors as a revolving loan fund available to full-time UNCSCA faculty, staff and administration. The Fund shall be comprised of two components: Recruiting Loans and Emergency Loans. The general intent is to use the available loan funds in a manner that will contribute to a strengthened relationship between the School and the faculty and staff.

ELIGIBILITY

All incoming senior administrative staff including Vice Chancellors, Deans, and Assistant Deans will be eligible for recruitment loans. Incoming faculty are also eligible to receive recruitment loans. In addition, any permanent faculty or staff are eligible for emergency loans.

TYPES

This Fund will allow for recruitment of and contract negotiations with new appointees, relative to moving expenses for incoming administration or faculty. The level of position to be filled determines the amount of loan available. Recruitment loans for incoming senior administration should be for no more than \$9,999 and are expected to be repaid within three years. Incoming Assistant Deans and Faculty may apply for a recruitment loan for not more than \$6,000 to be repaid within two years. This portion of the loan fund is limited to \$20,000.

Any permanent full time employee may apply for an Emergency Loan with the expectation of repayment to be within one year. Emergency Loans are not to exceed \$2,000. Examples of use of this fund are unexpected death in the family, sudden accident or illness, unusual personal financial emergencies, etc.

TERMS

The following items shall be deemed essential in any loan made from the Fund:

1. Applicants must be employed by the School when the loan is made.
2. All loans must be repaid in full—no portion under any circumstances will be forgiven. The loan is not to be construed as income, nor as a grant, nor as a gift, nor as a means to avoid taxes, but only as a loan to assist an employee and not to be used in lieu of salary or other benefits normally available.

3. No interest or fees will be charged for loans of less than \$10,000. IRS regulations require interest payment at fixed rates for loans in larger amounts.
4. While conditions for repayment are negotiable the following guidelines shall normally apply. Recruitment loans of \$6,000 or less will be repaid within two years, and those greater than \$6,000 and under \$10,000 will be repaid within three years. Emergency loans up to \$2,000 may be granted with repayment within twelve months.
5. Payment will be made via monthly payroll deduction.
6. If an employee to whom a loan is made leaves the School's employment before the loan is repaid, the balance on the employee's loan after deduction from the final paycheck shall be due in full not later than ninety days from the date of the employee's official separation from employment.
7. If an employee to whom a loan is made dies before the loan is repaid, the balance on the employee's loan shall be due in full from the employee's estate.
8. All loans shall be evidenced by a promissory note executed by the applicant.
9. If under any circumstances, the repayment schedule has not been met in full and the promissory note is delinquent by as much as 90 days, normally the Foundation, after having given notice, will begin collection.

PROCEDURE

The following procedures will be followed for the approval, funding and repayment of any loan from the UNCSA Foundation Faculty Staff Loan Fund:

1. All loans are to be handled in a confidential manner.
2. The Foundation Office is responsible for informing UNCSA employees about the Loan Fund, its purposes and the procedures for applying.
3. The prospective loan applicant shall submit a written request for a loan (complete the "Loan Request Form" attached), which must include the following information:
 - the category of the loan being requested, either a Recruiting Loan or an Emergency Loan;
 - a narrative justifying the need for the loan within the applicable category;
 - requestor must provide supporting documentation to justify the amount of loan requested
 - A proposal for repayment of the Loan consistent with these Guidelines.
4. The Human Resources Department will confirm the applicant's employment status. For Emergency Loans to current employees, the Human Resources Department will confirm that the applicant is in good standing. Emergency Loans require the applicant

to be a permanent (eligible after 90 days of employment) employee under the State Personnel Act.

5. Loan amount maximum is dependent on length of employment as follows:
 - \$500 after six (6) months of employment
 - \$1,000 after twelve (12) months of employment
 - \$1,500 after eighteen (18) months of employment
 - \$2,000 after twenty-four (24) months of employment
6. The Foundation Office will confirm the date of the applicant's last outstanding loan balance with the Loan Fund. An applicant who has had an outstanding loan balance within the preceding 12-month period is ineligible for an emergency loan.
7. The Foundation Office will approve the loan request based on the availability of funds and its reasonable satisfaction that the applicant can and will fulfill the terms of the loan agreement.
8. Upon satisfaction of all of the above criteria, the Human Resources Department will recommend the applicant for a loan and will notify the applicant instructing the applicant to schedule an appointment with the Foundation Office for signature on the promissory note and payroll deduction forms. The Human Resources Department will also notify in writing any applicant that is not recommended for a loan.
9. The Foundation Officer will release the loan check to the applicant upon execution of the promissory note and payroll deduction forms. The original, manually signed version of the promissory note is to be retained in the Foundation's file and marked "paid" when satisfied. Payroll deduction forms are forwarded to Payroll.
9. The loan fund payments shall commence with the next regularly scheduled payroll deduction cycle following the issuance of Promissory Note if loan proceeds are disbursed before the 16th of the month. If loan proceeds are disbursed on the 16th of the month or later, repayment will commence with the next regularly scheduled payroll in the month subsequent to disbursement of loan proceeds.

ADMINISTRATION

Within the Foundation, the Loan Fund will be maintained as a separate restricted account. Cash balances representing the portion of the Loan Fund not committed for loans may be commingled with other Foundation assets for investment purposes, with separate accounting.

1. Each month the Payroll staff will furnish the Foundation Controller with details of loan payments made through payroll deduction; the Foundation Controller will keep a monthly trial balance reflecting loan payments, loans disbursed and loans outstanding by employee at month end.

2. On a quarterly basis, the Foundation Controller will send a confidential copy of the summary by employee showing loans outstanding to the Director of Human Resources. Notes should be recorded on this summary regarding any past due loans.
3. In the event of employee resignation or termination for any reason, the staff loan summary should be referenced by Human Resources staff and, where possible, deduction made from the final paycheck to satisfy an outstanding loan balance.
4. The Foundation Executive Director should take action to collect any loan balance that remains past due including eventual placement of the loan with a collection agency, if necessary and appropriate. Efforts to collect a delinquent loan may continue after a write-off is made. Special circumstances may be considered to influence collection efforts on past due loans.
5. Past due loans where collection is doubtful should be considered for write-off. Loans to be written-off should be approved by the Director of Human Resources and the Foundation Treasurer. Evidence of write-off approval should be by signature or by e-mail, to be retained in the loan file by the Foundation Executive Director. Federal form 1099 reporting should be considered after a loan default.
6. In the event of a write-off, funds of the permanently restricted Staff Loan Fund should be restored by a payment from the UNCSA Foundation Unrestricted Operating Fund.
7. The balance of the loan fund should be invested to insure integrity of the Fund and to secure growth over time.
8. Exhibits to this guideline document are: A) Loan Request Form, B) Promissory Note, and C) Payroll Deduction Authorization.