

# **STUDENT FINANCIAL AID GUIDELINES**

## **HEALTH PROFESSIONS PROGRAMS**

### **Loans for Disadvantaged Students Program (LDS)**

U.S. DEPARTMENT  
OF HEALTH AND HUMAN SERVICES  
Public Health Service  
Health Resources and Services Administration  
Bureau of Health Professions  
Division of Student Assistance

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**Chapter 1 INTRODUCTION**

Public Law (P.L) 101-527, the Disadvantaged Minority Health Improvement Act of 1990 (enacted November 6, 1990) created a program of financial assistance for disadvantaged health professions students. This program falls within the existing legislative authority for the Health Professions Student Loan (HPSL) program. Further, it is governed by the same requirements associated with the HPSL program. There are, however, some important differences between the HPSL and LDS programs. Specifically, the purpose of the LDS program is to provide new funding for long-term, low-interest rate loans to eligible individuals from disadvantaged backgrounds who are enrolled full-time at eligible health professions schools.

The remainder of the section describes the program requirements for LDS. When requirements are identical to the HPSL program, readers are referred to *Health Professions, HPSL*.

## Chapter 2 INSTITUTIONAL PARTICIPATION IN THE LDS PROGRAM

### Section 1 ELIGIBILITY CRITERIA

Schools in the LDS program must conform to the HPSL eligibility criteria. [Health Professions, HPSL, Chapter 2](#) describes the requirements for these criteria.

Certain LDS requirements differ from those under the HPSL program. These consist of:

- recruiting and retaining disadvantaged students;
- recruiting and retaining minority faculty;
- providing adequate instruction regarding minority health issues;
- establishing arrangements with clinics serving individuals from disadvantaged backgrounds;
- establishing linkages with feeder schools; and
- offering mentoring programs to help individuals from disadvantaged backgrounds obtain health professions degrees.

Schools must have recruitment and retention programs for disadvantaged students and minority faculty in place at the time of the first application for LDS funds. To continue as LDS institutions, they must put the remaining requirements in place within one year of having received their first Federal Capital Contribution (FCC) for the LDS program. Note that funds awarded to a school under the LDS program may not be used to carry out any of these required activities. In addition, a school must continue to carry out all these activities as long as the LDS program is in operation at the school.

The following pages contain more detailed information about these requirements. There is also a discussion of special consideration for funding given to schools with underrepresented minority enrollments that exceed national averages.

#### **A. RECRUITING AND RETAINING DISADVANTAGED STUDENTS**

To qualify for participation in the LDS program, schools must carry out a program for recruiting and retaining students from disadvantaged backgrounds.

An individual from a disadvantaged background is defined as someone who:

- comes from an environment that has inhibited the individual from obtaining the knowledge, skill and abilities required to enroll in and graduate from a school; or
- comes from a family with an annual income below a level based on low-income thresholds according to family size published by the U.S. Bureau of the Census,

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adjusted annually for changes in the Consumer Price Index, and adjusted by the Secretary of Health and Human Services for adaptation to this program.

The Department of Health and Human Services publishes the requisite income levels in the *Federal Register* periodically.

### **B. RECRUITING AND RETAINING MINORITY FACULTY**

LDS schools must have an active program for recruiting and retaining minority faculty. Faculty who are Black, Hispanic, Native American, Filipino, Korean, Pacific Islander or Southeast Asian are considered minorities if the total supply of practitioners in the applicable health profession is below that group's percentage in the total population.

*[Section 724(b)(2) of the Public Health Service Act]*

### **C. INSTRUCTION ON MINORITY HEALTH ISSUES**

Schools in the LDS program must ensure that adequate instruction about minority health issues is offered in their curricula. This does not include normal course work that by definition includes health issues (e.g., sickle cell anemia in a pathology class). Instead, instruction about minority health issues refers to course work reflecting an institutional awareness of the special health needs of minority populations.

*[Section 724(c)(1) of the Public Health Service Act]*

### **D. ARRANGEMENTS WITH CLINICS**

To participate in the LDS programs, schools are required to enter into arrangements with one or more health clinics that provide services to a significant number of individuals from disadvantaged backgrounds, including members of minority groups. These arrangements allow students at participating schools to gain experience in providing clinical services to individuals from disadvantaged backgrounds.

*[Section 724(c)(2) of the Public Health Service Act]*

### **E. LINKAGES WITH FEEDER SCHOOLS**

LDS schools must enter into arrangements with one or more public or nonprofit private secondary educational institutions and undergraduate institutions of higher education. The purpose of these arrangements is to:

- provide academic preparation to disadvantaged students, including those representing minority populations, for entry into programs of study in the health professions; and
- recruit these students into such programs.

*[Section 724(c)(3) of the Public Health Service Act]*

## **F. MENTORING PROGRAMS**

LDS schools must establish mentoring programs that assist disadvantaged students, including minority students, in completing the educational requirements needed to obtain a health professions degree. In developing a mentoring program, an institution may include the services of students, community, health professionals, faculty, alumni, past recipients of Health Career Opportunity Program (HCOP) funds, and faculty/staff of feeder schools. Services would include activities such as tutoring, counseling and summer/bridge programs.

*[Section 724(c)(4) of the Public Health Service Act]*

## **G. SPECIAL CONSIDERATION**

Special consideration will be given to eligible schools with an underrepresented minority enrollment that exceeds the national average for its particular discipline.

*[Section 724(f)(2) of the Public Health Service Act]*

## **Section 2 FEDERAL CAPITAL CONTRIBUTIONS**

### **A. SOURCES AND DISTRIBUTION OF FEDERAL CAPITAL CONTRIBUTION FUNDS**

Since 1991, Congress has authorized and appropriated funds to be used for the LDS program. In addition to the Federal Capital Contribution (FCC) earmarked for LDS, borrower repayments from LDS will also provide a source of funding.

In 1986, Congress gave the Secretary of Health and Human Services the authority to redistribute FCC funds returned from institutions to the Department. When redistributing funds, the law requires the Secretary to give preference to health professions schools of the same discipline as the schools returning funds.

*[Section 724(f)(1) of the Public Health Service Act]*

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## **B. INSTITUTIONAL APPLICATIONS FOR FEDERAL CAPITAL CONTRIBUTIONS**

### **1) PROCEDURES**

Applications and instructions for schools seeking to establish an FCC fund for the LDS program are available from the Division of Student Assistance, 5600 Fishers Lane, Room 8-34, Rockville, MD 20857.

The Division reviews the eligibility of the school and determines the amount of Federal support an institution will receive. The Division may require the applicant to submit additional data for these purposes.

### **2) TERMS AND CONDITIONS**

A written agreement between the institution and the Secretary of Health and Human Services specifies the terms and conditions for institutional participation. The terms and conditions are synonymous with those of the Health Professions Student Loan (HPSL) program which are specified in [Health Professions, HPSL, Chapter 2](#).

### **3) DESIGNATION OF INSTITUTIONAL CONTACT PERSON**

The program contact person is the individual who will be responsible for distributing DSA program mailings to the appropriate offices and individuals within the institution and will be responsible for ensuring the return of material. Any changes to the contact person, refer to [Appendix I](#).

## **C. AWARDS TO INSTITUTIONS**

### **1) DETERMINATION OF AMOUNTS**

The statutory procedure for awarding FCC funds for the LDS program is the same as the procedure for the HPSL program. The procedures require individual institutional awards to be made in proportion to the student population at all schools. However, awards never exceed an institution's request for funds. More detail on the HPSL procedures appears in [Health Professions, HPSL, Chapter 2](#).

In addition to these basic procedures, the Department of Health and Human Services may use funding preferences to make institutional awards. The annual application announcements for the LDS program specify the preferences. Any funding preference defines the order in which institutions would be considered for FCC.

Funds are awarded on a per capita basis by comparing the enrollment of each eligible school-weighted with any special consideration--with the total enrollment of all eligible institutions. A school with an above average underrepresented minority enrollment will be given double credit--that is, its enrollment will be doubled for awarding purposes.

Students who are considered racial and ethnic minorities for the purpose of calculating underrepresented populations at an institution include American Indians or Native Alaskans, Blacks and Hispanics. Definitions of these populations appear below:

- **American Indian or Alaskan Native:** A person having origins in any of the original peoples of North America, and who maintains cultural identification through tribal affiliation or community recognition.
- **Black:** A person having origins in any of the black racial groups of Africa.
- **Hispanic:** A person of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish culture or origin without regard to race.

*(Note that Asians and Pacific Islanders are not considered underrepresented student populations, but certain Asian subgroups are considered to be underrepresented in the health professions and are included as minorities for the purpose of program requirements related to faculty recruitment.)*

*[Sections 724(b)(1) and 724(e) of the Public Health Service Act]*

## 2) NOTIFICATION

Each year, the Department sends a Notice of Award to the designated school official notifying the school of the amount of Federal funds awarded for the LDS program.

### **D. OVERVIEW OF INSTITUTIONAL MANAGEMENT OF FUNDS**

The overview of how institutions must manage their HPSL funds applies to the LDS program as well. Refer to [Health Professions, HPSL](#) for more information. Information about institutional management of funds appears in [Fiscal Management](#).

### **E. INSTITUTIONAL TERMINATION AND WITHDRAWAL**

The rules and procedures for termination and withdrawal of institutions participating in the LDS program are the same as those for schools that distribute HPSL funds to their health professions



students. [Health Professions, HPSL, Chapter 2](#) addresses what happens to program funds for schools that are terminated or choose to withdraw.

[Fiscal Management, Collections, Chapter 5](#) describes procedures for remittance of collections.

### Chapter 3 STUDENT AWARDS

The student eligibility requirements for LDS funds correspond to the requirements under the HPSL program. Readers should refer to [Health Professions, HPSL, Chapter 3](#).

#### Section 1 DISADVANTAGED BACKGROUND

Any student who receives an LDS must come from a disadvantaged background. The definition of disadvantaged background appears in [Chapter 2, Section 1, Recruiting and Retaining Disadvantaged Students](#).

*[Sections 724(b)(1) and 724(e) of the Public Health Service Act; 42 CFR Part 57.1804]*

**Chapter 4 TERMS AND CONDITIONS OF LDS**

The terms and conditions of LDSs are identical to the terms and conditions of HPSLs. Refer to [Health Professions, HPSL, Chapter 4](#) of this book.

**Chapter 5 INSTITUTIONAL RESPONSIBILITIES IN THE REPAYMENT PROCESS**

Institutional responsibilities in the LDS repayment process are considerable. These responsibilities are often shared between the school's financial aid administrator and the fiscal officer. The exit interview is a primary example and is discussed in [Health Professions, HPSL, Chapter 5](#). Readers are also urged to review [Fiscal Management](#) for information on accounting requirements, debt collection requirements (e.g., due diligence), cash management requirements, program monitoring and audits.

**Exhibits**

**Exhibit A Promissory Note**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
 PUBLIC HEALTH SERVICE  
 HEALTH RESOURCES AND SERVICES ADMINISTRATION  
 BUREAU OF HEALTH PROFESSIONS

**LOANS FOR DISADVANTAGED STUDENTS  
 PROMISSORY NOTE  
 FOR LOANS MADE ON OR AFTER  
 NOVEMBER 13, 1998**

I, \_\_\_\_\_, hereinafter called the Borrower, promise to pay to \_\_\_\_\_,  
 (Name of Institution)  
 hereinafter called the Institution located at \_\_\_\_\_,  
 (City and State)  
 advanced to me and endorsed in the Schedule of Advances below with interest at the rate of Five (5) percent per annum together with all attorney's fees, collection agent costs, and other related costs and charges for the collection of any amount not paid when in default according to the terms of this note.

SCHEDULE OF ADVANCES				
NUMBER	AMOUNT ADVANCED	TOTAL TO DATE	DATE	SIGNATURE OF BORROWER
1				
2				
3				
4				
5				
6				
7				

The Borrower and Institution further understand and agree that:

1. **Consolidation:** If the Institution makes more than one loan with the same repayment terms to the Borrower under the Loans for Disadvantaged Students program, the sum of the amounts advanced to the Borrower shall be consolidated for purposes of repayment. Each payment made by the Borrower to the Institution shall be applied first to interest which has accrued on the unpaid principal balance and then to the principal sum of the total loan.
2. **Repayment:**
  - a. Repayment shall be made in equal or graduated periodic installments over the repayment period, except that the Institution may require repayment to be made in an amount equal to not less than \$40 per month. The repayment period begins one year after the Borrower ceases to be a full-time student at a school eligible to participate in the Loans for Disadvantaged Students program. The repayment period shall not be less than ten years, nor more than 25 years, at the discretion of the Institution. Periods of authorized deferment are not included as part of the repayment period.
  - b. The terms and conditions of repayment shall be set forth in a separate repayment schedule which is approved by the Institution and agreed to by the Borrower. Payments under the repayment schedule shall be made no less often than quarterly, except that if the Borrower is more than 60 days past due on a payment, the remaining balance of the loan shall be repaid on a monthly basis.
3. **Interest:** Interest shall accrue from the beginning of the repayment period.
4. **Deferment:** Periodic installments of principal and interest need not be paid, and interest shall not accrue, while the Borrower: (a) serves on active duty as a member of a uniformed service of the United States, for up to three years; (b) serves

as a volunteer under the Peace Corps Act, for up to three years; (c) pursues advanced professional training, including internships and residencies; (d) pursues a full-time course of study at a health professions school eligible for participation in the Loans for Disadvantaged Students program; (e) leaves the Institution, with the intent to return to the Institution as a full-time student, to engage in a full-time educational activity which is directly related to the health profession for which the Borrower is preparing, as determined by the Secretary of Health and Human Services (the Secretary), for up to two years; and (f) participates in a fellowship training program or a full-time educational activity which is directly related to the health profession for which the Borrower prepared at the Institution, and is engaged in by the Borrower within 12 months after the completion of the Borrower's participation in advanced professional training described in 4.(c) above or prior to the completion of the Borrower's participation in such training, for up to two years.

5. **Prepayment:** The Borrower may, at his or her option and without penalty, prepay all or any part of the principal and accrued interest at any time.
6. **Exit Interview:** The Borrower agrees to attend an exit interview prior to completing or terminating full-time student status at the Institution.
7. **Default:** If the Borrower fails to make an installment payment when due or fails to comply with any other term of this Promissory Note, the loan will be considered in default.
8. **Late Charge:** The institution shall assess a late penalty charge for failure of the Borrower to pay all or any part of an installment, or for failure to file satisfactory evidence of entitlement to deferment, if so entitled, at a rate, not to exceed an amount equal to 6 percent of the amount of such installment, on loans more than 60 days past due.
9. **Acceleration:** If the Borrower fails to make a scheduled repayment or fails to comply with any other term of this Promissory Note, the entire unpaid balance of the loan, including interest due and accrued and any applicable penalty charges, will, at the option of the Institution, become immediately due and payable.
10. **Credit Bureaus:** The Institution may disclose the Borrower's loan, and any other relevant information, to credit bureaus. If the Borrower is more than 120 days past due in making a scheduled repayment, the Institution will disclose the Borrower's delinquent status, and any other relevant information, to credit bureaus.
11. **Collection Agents, Litigation, and Withholding of Services:** If the Borrower fails to make a scheduled repayment, or fails to comply with any other term of this Promissory Note, the Institution may: (a) refer the Borrower's loan to a collection agent for further collection efforts; (b) initiate legal proceedings against the Borrower; (c) withhold Institutional services, such as transcripts and letters of recommendation, from the Borrower; (d) refer the Borrower's loan to the Secretary for collection assistance, including offset of Federal salaries; and (e) obtain the Borrower's address from the Internal Revenue Service, through the Secretary, if the Institution has no current address for the Borrower.
12. **Death or Disability:** In the event of the Borrower's total and permanent disability or death, the unpaid indebtedness remaining on the Note shall be canceled. Subject to the regulations of the Secretary, the Institution may assess a charge on the Borrower's loan to cover the costs of insuring against death or disability cancellations.
13. **General:** The Borrower will promptly inform the Institution of any change in name or address after he or she ceases to be a full-time student at the Institution. The terms of this Note shall be construed according to the Federal statute (42 U.S.C. 292q-292y) and regulations (42 CFR section 57.201 et seq.) governing the administration of the Health Professions Student Loan and Loans for Disadvantaged Students programs, copies of which shall be kept by the Institution.

In Witness Hereof, My Hand and Seal

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Signature of Borrower) (Seal)

**NOTICE:** The Institution must require security or endorsement if the Borrower is a minor and if, under the applicable State law, the Note signed by him or her would not create a binding obligation. The Institution may not require security or endorsement in any other circumstances. The Institution shall supply a copy of this Note to the Borrower.

**WARNING:** Any person who knowingly makes a false statement or misrepresentation in obtaining these funds is subject to penalties which may include fines and imprisonment under Federal statute.

**Appendix I Request for Change of Contact Person Form**



REQUEST FOR CONTACT PERSON CHANGE

Appendix I

THE CONTACT PERSON WILL RECEIVE **ALL** DSA MAILINGS.  
USE ONE FORM FOR EACH DISCIPLINE. PRINT OR TYPE CHANGES.

PROVIDE INFORMATION

Institution \_\_\_\_\_  
Discipline \_\_\_\_\_ Opsid# \_\_\_\_\_  
Submitted by \_\_\_\_\_ Date \_\_\_\_\_  
Title \_\_\_\_\_ Phone \_\_\_\_\_

CHANGES

Contact Person \_\_\_\_\_  
Title \_\_\_\_\_  
Institution \_\_\_\_\_  
School \_\_\_\_\_  
Address Line 1 \_\_\_\_\_  
Address Line 2 \_\_\_\_\_  
City \_\_\_\_\_  
State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Phone \_\_\_\_\_ Ext \_\_\_\_\_ Fax \_\_\_\_\_  
E-Mail Address (Please print legibly) \_\_\_\_\_  
(Required)

E-mail to: bdubrow@hrsa.gov

Or

Mail to: OCBP/DSA/BHPr/HRSA  
Rm 8-34, Parklawn Building  
5600 Fishers Lane  
Rockville, MD 20857

FAX: (301) 443-0846