

April 28, 1987

Bureau of Health Professions

To: Officials at Schools in the Health Professions Student Loan (HPSL)
and Nursing Student Loan (NSL) Programs

Subject: Policy Memorandum Number Eleven

This memorandum provides further information on the calculation of the default rate for the HPSL and NSL programs and on the submission of audits.

Calculation of Default Rate

Schools are reminded that, for purposes of calculating the default rate, any loan (except for loans in forbearance or bankruptcy) that is 120 days or more past due according to the repayment schedule in effect must be included in the category of defaulted loans. If a borrower is making sporadic repayments, but the loan is 120 days or more past due according to the repayment schedule in effect, the loan remains in default. However, if a borrower and school have renegotiated the borrower's repayment schedule (i.e., have replaced a previous repayment schedule with a revised repayment arrangement mutually agreed to by both the school and the borrower and documented in the borrower's record), the status of the borrower's loan(s), for purposes of calculating the default rate, is determined based on his or her compliance with the revised repayment arrangement. Schools that use outside billing agencies are responsible for assuring that the billing agency is properly categorizing loans for purposes of the default rate calculation.

Audit Submission

Schools are no longer required to send copies of audit reports directly to the Division of Student Assistance. All audit reports should be sent to the appropriate Department of Health and Human Services (HHS) Regional Audit Agency, which will forward copies to the central HHS office. For copies of the HHS audit guide or the audit supplement for the HPSL and NSL programs, and for information on the number of copies of the audit to submit, schools should contact the appropriate Regional Audit Agency. Addresses for the Regional Audit Agencies are listed below:

Region Address of Audit Agency

IHHS/OIG Office of Audit, Room 1409, JFK Federal Building, Boston, MA 02203

II.....HHS/OIG Office of Audit, Federal Building Building, 26 Federal Plaza, Room 3902, New York, NY 10278

III.....HHS/OIG Office of Audit, P.O. Box 13716, Philadelphia PA 19101

IV HHS/OIG Office of Audit, P.O. Box 1704, Atlanta, GA 30301

v.....HHS/OIG Office of Audit, 26th Floor, 300 S. Wacker Drive, Chicago, IL 60606

VIHHS/OIG Office of Audit, 1100 Commerce Street, Room 4EI, Dallas, TX 75242

VII & VIII ...HHS/OIG Office of Audit, 601 East 12th Street, P.O. Box 15687, Federal Office Building, Kansas City, MO 64106

IX & X.....HHS/OIG Office of Audit, Federal Office Building, Room 171, 50 United Nations Plaza, San Francisco,
CA 94102

We will be pleased to respond to any comments or questions regarding this memorandum. Please direct telephone inquiries to the Program Development Branch at 301 443-4540, and address correspondence to Room 8-48, Parklawn Building, 5600 Fishers Lane, Rockville, Maryland 20857.