

Bureau of Health Professions

Date: May 2001

To: Health Professions and Nursing Schools

Subject: Campus-Based Policy Memorandum 2001-1

Please forward this memorandum to the financial aid administrators and fiscal officers responsible for administering the Division of Student Assistance (DSA)/Department of Health and Human Services (HHS) campus-based loan and scholarship programs.

This policy memorandum was developed to re-address and clarify certain requirements of the following loan and scholarship programs:

- Health Professions Student Loan (HPSL)
- Primary Care Loan (PCL)
- Loans for Disadvantaged Students (LDS)
- Nursing Student Loan (NSL)
- Scholarships for Disadvantaged Students (SDS)

Excess Cash

Schools that maintain HPSL and NSL funds must review their fund balances on at least a semi-annual basis to determine that their funds do not, compared with projected levels of expenditures and collections, exceed their needs. Beginning with the FY2000 Annual Operating Report (AOR), the Web Reporting System automatically calculates the amount of excess cash in the fund balance of each school in active status and displays this amount on Page 5 of the AOR. All active schools in the HPSL and NSL programs, and active schools in the PCL program that do not receive a non-compliance assessment, are required to remit excess cash payments. Active LDS schools are encouraged to assess their use of funds before returning excess cash, in order to facilitate the building of those school's revolving funds.

Active schools are required to remit their excess cash payments by the due date of the AOR. Schools that fail to remit their excess cash payments by this date will receive a letter from DSA reminding them to remit their excess cash payment. Excess cash payments may be mailed to Division of Fiscal Operations, Collection Officer, Room 16A-11, Parklawn Building, 5600 Fishers Lane, Rockville, Maryland 20857.

Please refer to the section of this memo titled "Closing Schools" for information on the excess cash responsibilities of schools in closing status.

National Student Loan Data System (NSLDS) and Financial Aid Transcripts

HHS/DSA student borrower information is not currently available through the NSLDS. In order for the schools to comply with the requirements for financial aid transcripts, schools may either:

(1) Query the NSLDS only (which would mean the school would have Department of Education (ED) data, but would not have access to HHS data); or (2) Query the NSLDS (to obtain ED data) and request a paper transcript to obtain information on HHS programs.

It is the school's responsibility to determine, based on its particular need for, and uses of the HHS program financial aid transcript information, whether or not to collect HHS information by paper. Schools may also choose to establish policies which involve a combination of the above. For example, a school may choose to request paper transcripts (in order to obtain HHS program data) only for transfer students, or to request paper transcripts only from students who indicate that they have previously received HHS funds. Although schools are not required to request paper financial aid transcripts, any school participating in HHS programs which receives a request for an HHS financial aid transcript must respond to the inquiry in a timely manner.

National Student Clearinghouse

Schools have inquired as to whether the HHS would accept information from the National Student Clearinghouse (Clearinghouse) in lieu of a student's deferment request. After careful review of the process and several conversations with school administrators and representatives of the Clearinghouse, HHS will grant schools the option to use information from the Clearinghouse. As we understand the process, the Clearinghouse does not indicate in the data provided what type of an educational institution an individual is attending. If the school chooses to use this mechanism, the school is responsible for verifying and documenting that the student is in a deferrable activity according to program regulations.

Parent Signature on FASFAA

For health professions students applying for aid, HHS will allow health professions schools participating in the Title VII campus based programs (HPSL, LDS, PCL, SDS) to comply with the requirement to collect parent financial information, for purposes of determining student need, **without requiring a parent signature**. This allowance is to accommodate ED's electronic financial aid renewal application process, which generally does not provide for the collection of a parent signature from these students. Please note that **parent information must still be collected in accordance with existing requirements; the only change is that a parent signature is not required**. Schools may still require a parent signature if they so choose.

Loan Rehabilitation

At this time, HHS programs do not have loan rehabilitation provisions similar to ED programs. DSA is reviewing the details of the ED loan rehabilitation guidelines, as well as gathering input

from schools, to determine whether to incorporate similar rehabilitation provisions in DSA campus based loan programs.

Repayment Period

HPSL, PCL and LDS loans are repayable over a period of not less than 10 years nor more than 25 years, at the discretion of the institution. This revision to the repayment period is available for any borrowers who have not yet completed repayment of their loans, including PCL service defaulters. Although this provision provides flexibility in determining the length of repayment, school officials should be guided by the need to collect these funds in a manner that maximizes the amount of revolving funds available annually for loaning to current students.

Schools also should be aware that, for PCL borrowers, any extension of the repayment period beyond 10 years will extend their service obligation as well, since the statute continues to require that PCL borrowers practice in primary care until the PCL loan is paid in full.

Borrowers who have defaulted on their NSL loans and have made 12 consecutive payments over the most recent 12 months of their repayment schedule, may have their repayment period extended for up to 10 years. Schools may use this authority to extend the repayment period of any borrower who has met this payment criteria and is determined by the school to need additional time beyond the original 10 years to repay the loan. Schools should use their professional judgment to determine on a case-by-case basis which students require extended repayment periods. Schools should also use their professional judgment to apply this provision in a manner that will benefit the borrower while maximizing repayments to the fund for future student loans.

Closing Schools

Institutions in close-out status for the HPSL, PCL, LDS or NSL Programs must review the balance in each fund on a quarterly basis, and remit the Federal share of the ending cash balance. Schools who fail to submit quarterly payments may be subject to the Federal Government requiring the immediate return of all funds. DSA is in the process of developing a tracking system for quarterly collections, and institutions will be notified if there is a question regarding the required return of funds. Quarterly payments may be mailed to Division of Fiscal Operations, Collection Officer, Room 16A-11, Parklawn Building, 5600 Fishers Lane, Rockville, Maryland 20857. Information on how to calculate quarterly payments may be found as exhibits in the Fiscal Management section of the Student Financial Aid Guidelines located at <http://bhpr.hrsa.gov/dsa/weblinks> on the Internet.

Write-Offs

In order to better meet the needs of our customers and to facilitate the write-off process, this policy amends the length of time granted a school to submit their uncollectible loans for write-off. Schools now have 60 days, instead of 30, to submit their case to HHS for review. In addition to the change in time frame, we would like to provide the following information to clarify write-off submissions.

The write-off review process is a tool a school can use to reduce its accounts receivable for loans that have been determined uncollectible. The determination of uncollectibility should be made after the school has completed the required due diligence procedures. Important items to remember when determining uncollectibility and submission are that the determination date must be documented as part of student records, an authorized official must certify that the documentation provided is true, complete, and correct to the best of his/her knowledge, and submission must be **within 60 days** from either the determination date, the bankruptcy discharge notice receipt by the school or when the repayment period has expired. Accounts that are close to the end of their repayment period should be reviewed and action should be taken to prepare the account for close-out (i.e., lump-sum final payment or submission for write-off).

The following are some of the leading issues that result in requests for additional documentation and, in some cases, denials: entrance/exit interview documentation, grace period contacts, deferments, billings, renegotiations, forbearance, litigation, and credit bureau reporting.

A "Helpful Hints" worksheet has been developed to provide guidance on submitting write-offs. It may be found at <http://bhpr.hrsa.gov/dsa/weblinks> as part of our Website. Along with this worksheet on the website, the Fiscal Management portion of the Student Financial Aid Guidelines contains more in-depth information on the write-off process, as well as a checklist to use when preparing a case for submission.

Disability Claims

As part of the program provisions of the DSA programs, students/debtors are eligible for cancellation of their loans based on total and permanent disability. Documentation must be submitted to the DSA for evaluation and determination by the Medical Review Board. Please note that schools do not have the authority to cancel HPSLs or NSLs. This authority remains with HHS. Please reference the Student Financial Aid Guidelines for guidance on this provision.

Annual Operating Report (AOR)

The following changes and/or additions have been made to the AOR for the period ending June 30, 2001. We have added three new fields to Page 1 of the report:

- Total Full-Time Enrollment for the reporting discipline,
- Defaults on Service Obligation: (For PCL only)
Total Number of Defaulted Borrowers, and
Total Original Principal Loaned

As with last year, the excess cash to be returned to the Federal Government is being automatically calculated and placed on Page 5, except for Allopathic and Osteopathic PCL schools and LDS programs.

DSA continues to monitor schools for receipt of the AOR and the Default Rate. Schools will be notified of discrepancies/questions in the following areas of the report:

- Excess cash not returned to HHS,
- Total and permanent disability claims reported but not approved by HHS,
- Denied write-off amounts not reimbursed to the Fund,
- Investment income not reported, and
- Negative ending cash balance reported.

Response to these letters is extremely important. Future program participation and the receipt of future awards could be in jeopardy if a school does not respond and/or correct the items cited.

Parental Income Requirement for Disadvantaged Definition

To determine students who come from “economically disadvantaged” backgrounds, you **MUST** use parental income of students and not students’ income. Parental income is used regardless of independent/dependent or marital status of students.

Scholarship for Disadvantaged Students

All schools must apply for SDS funds **annually**. The application will be available in November and deadline will be in December. In order for schools to receive funding, you must complete the following:

- Submit the application by established deadline and must have the e-mail confirmation of the application submission.
- Must meet the eligibility criteria based on the HHS’ outcome measures.
- Must have economically disadvantaged students enrolled and graduated.

Although school awards are based on the number of “economically disadvantaged” students enrolled and “economically disadvantaged” students graduated, schools may award scholarships to students who meet the “environmentally disadvantaged” or “economically disadvantaged” definitions.

For more information on our programs, schools may want to visit our website at <http://bhpr.hrsa.gov/dsa/weblinks> and click on the section which pertains to your needs.

Your continued diligence is appreciated in administering and managing all of the HHS campus-based programs. Questions regarding this memorandum should be directed to dpolicy@hrsa.gov or to one of the following individuals:

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