

Date: June 1996

To: Health Professions and Nursing Schools

Subject: Questions and Answers Regarding Campus Based Programs Campus-Based Policy Memorandum 96-1

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: (1) Responds to questions raised at the March 1996 conference on HHS student financial aid programs sponsored jointly by the Coalition of Higher Education Assistance Organizations (COHEAO) and HHS; and (2) Addresses previous questions raised by the school community regarding the HHS campus-based student financial aid programs, including Exceptional Financial Need (EFN) Scholarships, Financial Assistance for Disadvantaged Health Professions Students (FADHPS), Health Professions Student Loans (HPSL), Loans for Disadvantaged Students (LDS), Nursing Student Loans (NSL), Primary Care Loans (PCL), and Scholarships for Disadvantaged Students (SDS). The questions are arranged according to the following general topics:

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Determination of Financial Need

1. Are HPSL, LDS, and PCL recipients required to demonstrate “exceptional Financial need”?

No. The exceptional financial need requirement for allopathic and osteopathic medical students was repealed for HPSL, LDS, and PCL on June 10, 1993. Since then, HPSL, LDS, and FICL recipients have been required only to demonstrate financial need, based on an evaluation of the student's and parent's financial situation.

2. What is the intent of the HHS requirement for health professions campus based programs to collect parent financial information from all students, regardless of their dependency status or age?

The intent of the requirement to collect parent financial information is to allow the school to determine the current financial situation of the individual(s) who would have legal financial responsibility for the student if the student were still dependent. This provides a way to distinguish a student who comes from a family background with a high degree of financial strength from a student who comes from a family background with little or no financial strength. In view of the very limited amount of funding available through the HHS health professions campus-based programs, this requirement is essential to assure that, consistent with congressional intent, these funds are directed to students whose families do not have the ability to assist them financially.

3. Will parent financial information continue to be required from all students applying for the campus-based health professions programs (i.e., HPSL, LDS, PCL, EFN, FADHPS, and SDS)?

Yes. Students applying for funds from the campus-based health professions programs must provide parent financial information, regardless of the age or particular circumstances of the student. Parent financial information should be collected using the ED standardized need analysis procedures and treating the student as if he or she were dependent. Although the requirement to collect parent financial information cannot be waived, schools may use professional judgment to adjust the amount of either the student's or parent's contribution to more accurately reflect their actual situation. (See also Sections 101.3.142 (HPSL, LDS, and PCL), 105.3.132 (EFN and FADHPS), and 106.3.141 (SDS) of the Student Financial Aid Guidelines.)

4. Is HHS aware that some schools use supplemental family financial data, such as parents' home equity, in addition to the family data from the ED need analysis form when calculating eligibility for HHS programs?

Yes. HHS is supportive of any efforts on the part of schools to collect additional information which will aid them in best determining how to allocate the scarce amount of low-cost money that is available through HHS programs. This is consistent with HHS regulations, which require the school to determine the financial resources available to the student by using a national need analysis system approved by ED in conjunction with other information which the school has regarding the student's financial status.

Financial Aid Transcript

5. Will the HHS financial aid programs authorized under Title VII and VIII of the Public Health Service (PHS) Act be included in the National Student Loan Data System (NSLDS)?

It is the goal of HHS and the Department of Education (ED) to have the HHS programs included as part of the NSLDS. We are working with officials in ED to determine how and when this can most easily be accomplished. However, it is not likely that HHS data will be included until after September 1997, when ED's current NSLDS contract expires.

6. It appears that there may be a period of time when schools will no longer collect paper financial aid transcripts for ED programs because ED data will be available through the NSLDS, but HHS programs will not yet be a part of the NSLDS. During this period, will schools be required to secure previous loan information on HHS programs? No. During the interim period when ED data is available through the NSLDS but HHS data has not been added to the NSLDS, schools may comply with the HHS requirement to obtain a financial aid transcript by either:

- (1) Querying the NSLDS only (which would mean the school would have ED data, but would not have access to HHS data);
- or
- (2) Querying the NSLDS (to obtain ED data) and requesting a paper transcript to obtain information on HHS programs.

It will be the school's responsibility to determine, based on its particular need for and uses of the HHS program financial aid transcript information, whether to collect HHS information by paper during the interim period. 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 will not be required to request paper financial aid transcripts during this period, 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. A sample financial aid transcript which may be used for the HHS programs during this interim period is included with this memorandum as Exhibit A.

Verification

7. To comply with the HHS verification requirement, may schools verify only the student and parent information of HHS program recipients who are selected for verification by ED?

Yes. Schools may comply with the HHS verification requirement by verifying the student and parent information of the HHS program recipients who are selected for verification by ED. (See Sections 101.3.2 (HPSL, LDS, and PCL), 105.3.4 (EFN and FADHPS), and 106.3.4 (SDS) of the Student Financial Aid Guidelines.)

Award Letter

8. Is it necessary for a recipient of HHS funds to sign and return the financial aid award letter to the school?

Sections 101.3.33 (HPSL, LDS, and PCL), 105.3.5 (EFN and FADPPS), and 106.3.5 (SDS) of the Student Financial Aid Guidelines suggest, but do not require, that recipients of HHS funds sign and return the financial aid award letter.

Entrance Interview

9. For ED programs, entrance counseling is required once--at the time a student first receives a loan. The HHS regulations state that the school must conduct and document an entrance interview for each academic year. Has there been any revision to the regulations?

No. HHS loan programs continue to require that an entrance interview be conducted and documented for each academic year during which the student receives loan funds. However, schools have latitude in determining the methods they will use in conducting the entrance interview, as long as they comply with the requirements to document that the borrower understands the rights and responsibilities of the loan and to obtain or update personal information to assist in locating the borrower if necessary. In addition, HHS strongly encourages schools to incorporate debt management counseling and financial planning into the entrance interview activity on an annual basis. (See Section 101.3.53 of the Student Financial Aid Guidelines.)

Record Retention

10. Please provide clarification on the retention of required documents, including materials collected during the entrance and exit interview (e.g., personal and confidential loan information). If a school is using an optical disk storage system for file documentation and storage, can information that applies to more than one loan program be maintained on a "master file," or are we required to copy the information onto each file disk for each individual loan program?

In the scenario described above, information that applies to more than one loan program may be maintained on a master file and does not have to be copied onto each file disk for each individual loan program.

HPSL, LDS, and PCL Promissory Notes

11. May a school combine the HPSL, LDS, and PCL promissory notes into a single note to eliminate excess paperwork?

A school may combine the HPSL and LDS promissory notes into a single note, since the terms of these 2 programs are identical, as long as the school has in place procedures which assure that the funds for these 2 programs continue to be accounted for separately. However, schools may not combine the PCL promissory note with the HPSL/LDS promissory note, since the terms of the PCL loan, with regard to the service obligation and associated penalties, are significantly different than the HPSL/LDS loan terms. HHS is concerned that there be no possibility of confusion on the part of the borrower regarding which loan funds are subject to the PCL service obligation and the penalties for failure to comply with this obligation.

HPSL, LDS, and PCL Student Awards

12. If a school provides a third- or fourth-year allopathic or osteopathic medical student with HPSL, PCL, or LDS funds to repay other student loans received for attendance at the school, is the school required to make the check co-payable to the student and the lender or holder of the loans being repaid?

The check to repay other student loans must include as a payee the lender or holder of the loan(s) being repaid. The school may also include the student as a payee, but is not required to do so. In any case, there must be a clear audit trail to show that the funds: (1) are being disbursed on behalf of the student for the purpose of repaying, in part or in whole, one of the student's other educational loans; and (2) are a loan to the student that must be repaid by the student under the terms of the HPSL, LDS, or PCL promissory note, as applicable.

HPSL and PCL Accounting Procedures

13. Is the school required to establish separate accounts for HPSL and PCL?

The school is not required to establish separate accounts for HPSL and PCL, but should establish separate record keeping procedures for PCL. This should include establishing a separate general ledger account for PCL which would be combined with the HPSL general ledger account for reporting purposes. The separate general ledger account will allow schools to respond to questions and report data regarding borrowers receiving PCL loans, their service obligation and payment status (i.e., current, past due, defaulted, etc.) as needed to evaluate the PCL program in the future.

LDS--Reloaning of Funds

14. When the LDS program begins having loan collections income, what authorization will preside over its loaning out?

When re-awarding LDS collections, schools must follow the same eligibility criteria used for awarding any newly appropriated LDS funds (e.g., disadvantaged students who meet HPSL eligibility criteria, as explained in Section 101.3.1 of the Student Financial Aid Guidelines). Loan limits are also the same as for the HPSL program, which are explained in Section 101.4.1 of the Student Financial Aid Guidelines. (See Book 1, Part 11, Chapters 3 and 4 of the Student Financial Aid Guidelines.)

PCL, EFN, and FADHPS--Primary Care Committee

15. We would be very interested in a better understanding of the role of the Primary Care Committee from the perspective of HHS.

The Primary Care Committee is intended to bring together various components of the school so that there is a collaborative institutional effort to identify PCL, EFN, and FADHPS recipients, counsel them appropriately, package financial aid effectively, and comply with tracking requirements. Ideally, this committee should consist of individuals from offices of the dean, financial aid, business, admissions, student affairs, registrar, and alumni, as well as primary care faculty. HHS encourages schools to use The Primary Loan Program--Team Approach, prepared by the Coalition of Higher Education Assistance Organizations (COHEAO) in conjunction with HHS, as a guide for getting started in the establishment of a Primary Care Committee. Copies of this document were provided to the Dean of each allopathic and

osteopathic medical school in 1995. For additional copies you may contact the Office for Campus Based Programs at 301 443-4776, or fax your request to 301 443-0846.

PCL, EFN, and FADHPS--Student Counseling

16. In attempting to advise students who take PCL, EFN, and FADHPS, schools will need information--who to contact with questions, how to certify compliance, procedures for those who fail to comply with the primary care service obligation, etc. When can schools expect to have such information?

This policy memorandum should provide schools with adequate information to respond to students' questions. Students should contact an official at the school who is knowledgeable of the primary care programs when they have questions regarding the programs, since the school will be responsible for monitoring compliance with the service obligation as well as, in the case of PCL, collecting the loan. Each school must determine which school official is best suited to respond to these questions. Each school must also determine the procedures it will use for certifying compliance with the service obligation and assure that each PCL, EFN, and FADHPS recipient fully understands his or her responsibility to comply with these procedures. Finally, schools must establish internal procedures for dealing with recipients who fail to comply with the service obligation.

PCL, EFN, and FADHPS--Residency Training, and Service Obligation

17. Please list the acceptable and unacceptable activities for fulfilling the primary care residency training and service obligation for PCL, EFN, and FADHPS.

Statutory Definition of Primary Care

Medicine/Osteopathic Medicine:

Family Medicine
General Internal Medicine General Pediatrics
Preventive Medicine
Osteopathic General Practice

General Dentistry (EFN and FADHPS only):

General Dentistry

Acceptable Residency Training

Medicine/Osteopathic Medicine:

3-year residency approved by
ACGME or AOA in--
-family medicine
-internal medicine
-pediatrics
-combined medicine/pediatrics
-preventive medicine
-general practice

Dentistry (EFN and FADHPS only):

Advanced Education/Residency programs accredited
by the Commission on Dental Accreditation in--
-General Dentistry -internal medicine
-General Practice
-Pediatric Dentistry
-Dental Public Health
Programs accredited by the Council on Education for Public
Health leading to a Master's in Public Health or similar
degree

Advanced education programs in general dentistry sponsored by an institution of higher education, as approved by the Secretary on a case-by-case basis

Acceptable Practice Activities:

Medicine-Osteopathic Medicine: Dentistry (EFN and FADHPS only):

Primary Care Clinical Practice	General Dentistry Practice
Clinical Preventive Medicine	Pediatric Dentistry
Occupational Medicine	Dental Public Health
Public Health	Dental Faculty
Senior/Chief Resident in primary care residency program	Policy Makers with General Dentistry Training Administrators with General Dentistry Training

Faculty, Administrators, or Policy Makers certified in one of the primary health care disciplines

Geriatrics

Adolescent Medicine

Adolescent Pediatrics

Sports Medicine

Training for Primary Care Faculty Career

Training for Public Policy Career

Masters in Public Health

Public Policy Fellowship

Faculty Development Training

Primary Care Fellowship

Unacceptable Residency/practice Activities

Medicine/Osteopathic Medicine Dentistry(EFN and FADHPS only):

Cardiology	Orthodontics
Gastroenterology	Endodontics
Obstetrics/Gynecology	Oral Surgery
Surgery	Prosthodontics
Dermatology	Periodontics
Radiology	Oral Pathology

Rehab Medicine

Physical Medicine

Emergency Medicine

Other Sub-specialty Training or Certification

The above definitions are consistent with notices published in the Federal Register on May 20, 1993 for PCL and on July 12, 1993 for EFN and FADHPS.

18. Is a recipient permitted to participate in both pediatrics and preventive medicine residencies? What if the total amount of time required to do both is more than 4 years - i.e., 3 years to complete pediatrics residency, followed by an additional 2 years to complete preventive medicine residency?

Yes. As long as the recipient finishes a primary care residency program within the 4-year limit established by law, the recipient may be granted a deferment for additional advanced training that is allowable within the primary care service agreement (i.e., that does not involve any type of sub-specialization).

19. Is a recipient permitted to do a residency program in Emergency Medicine?

No. Participation in an Emergency Medicine residency training program, as well as any one of the unacceptable activities listed, would place the recipient in violation of the agreement to practice primary care.

20. Is a recipient permitted to practice in Emergency Medicine if he or she has not participated in a residency program in Emergency Medicine?

Emergency Medicine is a sub-specialization and would not be an acceptable activity for fulfilling the service obligation if it were the recipient's exclusive activity. However, if a recipient is involved in an activity that is acceptable for fulfilling the primary care service obligation (e.g., clinical practice in general pediatrics), and has not participated in Emergency Medicine residency training (which is sub-specialty training and would automatically place him or her in breach of the PCL service obligation), there is nothing to preclude him or her from "moonlighting" in Emergency Medicine.

21. What are the prospects for Obstetrics/Gynecology and General Psychology being added as acceptable fields of practice?

The definition of primary care used for these programs is set forth in section 723(d)(5) of the PHS Act and includes family medicine, general internal medicine, general pediatrics, preventive medicine, or osteopathic general practice. At this point, we are unaware of any efforts to amend this definition to include Obstetrics/Gynecology or General Psychology.

22. By what mechanisms can/will new fields be added (as Geriatrics and Adolescent Medicine were)?

New fields can only be added through an amendment to the definition of primary care set forth in section 723(d)(5) of the PHS Act. Geriatrics and Adolescent Medicine are not "new fields," but are considered by the medical profession as areas in which a physician who has chosen a career in one of the primary care fields of family medicine, general internal medicine, or general pediatrics may obtain a certificate of added qualification and still be considered a primary care practitioner, since this training enhances their ability to provide primary care.

23. Does a service obligation with the military take precedence over the PCL or EFN/FADHPS commitment, or vice versa?

Neither commitment has precedence over the other; both must be fulfilled in accord with the terms of the promissory note or contract and may be fulfilled concurrently. For example, a student who has taken PCL, EFN, or FADHPS and has a military service obligation would be required to practice primary care in accord with the PCL, EFN, or FADHPS agreement and would also be required to comply with the military obligation,

24. For the PCL program, can there be a break between training and practice or a break during practice? What documentation must the borrower provide in the event of a break in service? Is this considered a deferment-i.e., does interest accrue and does this interrupt the 10-year repayment period?

A PCL recipient must complete residency training within 4 years of graduation. Upon completion of residency training, the recipient must enter and remain in primary care practice unless: (1) He or she is in an allowable deferment; or (2) There are extenuating circumstances for which the school determines that a break in -service is appropriate, such as extended illness, maternity/family leave, or time to establish a practice or secure employment.

The school must obtain documentation which supports the recipient's request for a break in service (e.g., a signed statement from the recipient stating the reason for the break in service). The school has discretion to approve a break in service that does not exceed 12 months. Any break in service exceeding 12 months must be approved by HHS. Requests for approval of such must be submitted to the Office for Campus Based Programs, Division of Student Assistance, Room 8-34, 5600 Fishers Lane, Rockville, MD 20857.

A break in service is not a deferment, but merely allows the borrower to avoid default on the service obligation in the event of extenuating circumstances approved by the school or HHS. The repayment period continues to run, interest continues to accrue, and payments continue to come due during this time. If forbearance is also granted during a break in service, payments would be adjusted accordingly. Forbearance documentation and procedures are set forth in Section 101.4.683 of the Student Financial Aid Guideline.

25. May PCL, EFN, and FADHPS service be part-time?

Yes. The law requires that PCL, EFN, and FADHPS recipients practice in primary care, but does not specify that the practice be full-time or that it involve a minimum number of hours per week. Even though part-time practice is acceptable, the recipient would be in breach of the service obligation if he or she were to obtain any type of sub-specialty training that would allow him or her to subspecialize during his or her remaining time.

26. Can a recipient of PCL funds participate in one of the Federal loan repayment programs?

Yes. A PCL recipient may participate in a Federal (or State) loan repayment program, as long as he or she is complying with the requirements of the primary care service obligation.

27. Is assistance to PCL, EFN, or FADHPS recipients in finding primary care employment contemplated? No. Recipients are responsible for finding employment on their own.

PCL, EFN, and FADHPS--Waiver of Service Obligation

28. What would constitute "extreme hardship" for waiver of the PCL, EFN, or FADHPS service obligation and who would make the determination?

A PCL, EFN, or FADHPS recipient's eligibility for waiver of the service obligation due to "extreme hardship" will be determined by HHS on a case-by-case basis. It is expected that cancellation due to extreme hardship will be limited to recipients who are unable to serve due to, for example, failure to complete training or permanent and total disability.

PCL, EFN, and FADHPS-Tracking Recipients/Default on the Service Obligation

29. Is there a specific form that must be used by the EFN, FADHPS, or PCL recipient to certify that he or she is complying with the service obligation?

No, there is not a required form for certifying compliance with the service obligation. The recipient is required to submit self-certification of compliance with the service obligation on an annual basis in a format determined by the school. A sample form is included with this memorandum as Exhibit B. This form is not required; each school has discretion in determining how it can most easily obtain the primary care practice certification for its PCL, EFN, and FADHPS recipients. At a minimum, the certification must state that the recipient is practicing primary care in accordance with the terms of the PCL promissory note or the EFN/FADHPS contract and must be signed and dated by the recipient.

30. Can HHS develop a single form which can be used by recipients to certify both primary care residency training and primary care service?

HHS has modified the HPSL deferment form (Exhibit C) to include a section for PCL, EFN, and FADHPS recipients to complete to certify that they are in an eligible residency program. This form is sufficient for documenting compliance with the agreement to enter primary care during residency training. Upon completing residency and entering primary care practice, the recipient can begin using the sample form described above (Exhibit B), or the school can develop its own form or documentation procedures for its recipients to use.

31. What options, if any, are available to a PCL, EFN or FADHPS recipient who decides not to enter primary care?

PCL: Consistent with the existing PCL law, the PCL promissory note requires that the recipient practice primary care until the loan is repaid in full, and considers a recipient to be in default if he or she enters a sub-specialty residency or sub-specialty practice any time prior to the loan being repaid in full. Once the loan has been repaid in full, the service obligation is considered to have been fulfilled and the school is no longer required to track the borrower's residency and/or practice activities. Thus, if a borrower were to decide not to enter primary care, and were to repay the loan in full prior to entering a sub-specialty residency or practice, he or she would avoid the PCL interest penalties normally associated with failure to enter and practice primary care.

EFN/FADHPS: Unlike the PCL program, which links the service commitment to the repayment period, the EFN/FADHPS contract requires all recipients to agree to a 5-year service commitment. If an EFN/FADHPS recipient were to decide not to enter primary care during the award year in which the funds were received, the school would have the option of reversing this award and replacing it with alternative funds (if available). However, once the award year has ended, any EFN/FADHPS recipient who decides not to enter primary care must repay the scholarship in full. To avoid interest accrual, the total amount of the scholarship award would have to be paid in full by the date the recipient is determined to be in default. Otherwise, the amount of the scholarship award, plus interest that accrues beginning on the date of default, must be repaid within 3 years of the date of default.

32. At what point is a PCL, EFN, or FADHPS recipient in default on the primary care service obligation?

A PCL, EFN, or FADHPS recipient is in default on the service obligation at the point that he or she:

- (1) Enters sub-specialty training;
- (2) Fails to be able to complete a primary care residency within 4 years of graduation (except for dental recipients of EFN and FADHPS, who do not have a statutory time limit for completion of residency training);
- (3) Fails to practice primary care in accordance with the terms of the PCL promissory note or EFN/FADHPS contract; or
- (4) Fails to provide the school with documentation of either residency status or primary care practice. The school may allow the recipient to submit the required documentation up to 120 days after the due date without placing the recipient in default. If the required documentation is NOT submitted within 120 days of the due date, the school must place the recipient in default using the original due date.

33. What happens if the recipient fails to provide annual documentation certifying compliance with the terms of the agreement? As stated above, if the recipient fails to certify compliance with the terms of the PCL promissory note or EFN/FADHPS contract on an annual basis until the service obligation has been fulfilled, the school must place the recipient in default of the service obligation.

34. For purposes of tracking compliance with the PCL note or EFN/FADHPS contract, which requires that the recipient provide annual documentation of his or her activities, what is the "due date" for the first documentation of annual activities? The first documentation of the recipient's annual activities is due at the time of graduation. Information on where graduates have matched would be sufficient to satisfy this documentation requirement for the first year. In the absence of residency matching information, the recipient has up to 120 days from graduation to provide documentation of his or her activities.

35. How long does a school have to report an EFN or FADHPS defaulter to the Department? What is the procedure? Within 30 days of the school determining that the EFN or FADHPS recipient is in default on the service obligation, the school must report the defaulter to the Office for Campus Based Programs, Room 8-34, 5600 Fishers Lane, Rockville, MD 20857. When reporting the default, the school must include the recipient's name and address, a copy of the recipient's EFN or FADHPS contract(s), documentation of the recipient's activities up to the point of default, and the reason for default.

36. For PCL recipients who fail to provide the required documentation of their annual activities, and thus are placed in default, the default date is based on the "due date of the documentation." The promissory note states that the 3-year repayment penalty begins on the date on which the student fails to comply with the agreement. Please clarify when to start calculating the 3-year repayment period.

The borrower is considered in default, for purposes of calculating the 3-year repayment period, at the point that the borrower breaches the terms of the contract, or on the date documentation was due and not submitted, whichever occurs first.

37. If a recipient is placed in default for failing to notify the school that he or she is practicing primary care, and subsequently provides proper documentation certifying primary care practice, can his or her default status be reversed?

Yes. The school has discretion in deciding whether to reverse the default status of a PCL recipient in cases where the recipient was placed in default for failing to provide certification of his or her practice activities, but later demonstrates that he or she has been in compliance with the service obligation.

For EFN and FADHPS recipients, schools are required to report defaulters to HHS for collection of the debt, and thus it would be HHS responsibility to determine whether to reverse a default that was the result of the recipient's failure to provide proper documentation of compliance with the service obligation.

38. How is the PCL penalty calculated if the recipient has already repaid a portion of the loan before he or she defaults?

The PCL promissory note states in section 3 that if the borrower fails to comply with the service obligation, "...the balance due on the loan involved will be immediately recomputed from the date of issuance (*using the original principal*) at an interest rate of 12 percent per year, compounded annually" (italics added for emphasis). In accord with this provision, when a PCL recipient defaults on the service obligation, the school must recalculate the total amount owed on the debt by calculating interest at 12 percent per year, compounded annually, on the original principal amount of each disbursement, based on the date that each disbursement was made. If the recipient has already repaid a portion of the loan, these payments would be credited against the newly calculated indebtedness in accord with the time the payments were actually made.

PCL - Four-Year Period for Residency Training

39. If a PCL recipient uses up to 1 year of the allowed 4 years for residency training to do something other than residency training (e.g., family leave or training in a non-medical field), what is the status of the loan during this period? Does interest accrue during this period?

If the borrower is in a deferrable activity, as identified in the statute and the promissory note, payments on the loan would be deferred and interest would not accrue. If the activity does not qualify for deferment under the terms of the promissory note, the borrower's grace and/or repayment period would begin and, during periods of repayment, interest would accrue.

40. If a PCL borrower receives deferment for leaving the institution to pursue related educational activities before graduation, does the borrower still have the full 4 years to complete his or her residency training?

Yes. If the related educational activities interrupt the course of study, this would not reduce the 4-year period provided for completing residency training. The 4-year period for completing residency training begins upon graduation from medical school.

41. After graduation, can deferments interrupt the running of the 4-year period allowed for PCL borrowers to complete the residency?

No. The PCL statute requires that the primary care residency training must be completed within 4 years of graduation from medical school.

PCL-Deferment

42. What are some examples of activities which are eligible for deferment under PCL?

Activities eligible for deferment under PCL are set forth in the PCL promissory note, and are the same as those eligible for deferment under HPSL, except that the PCL borrower may not engage in any sub-specialty training or residency programs. (See Section 101.4.5 of the Student Financial Aid Guidelines.)

43. How does the school (or its agent) monitor the activities eligible for deferment under PCL? Must the borrower file a deferment form?

The monitoring of deferrable activities under PCL should be handled in the same manner as the monitoring of deferrable activities under HPSL. This would include requiring the borrower to file a deferment form to notify the school of the borrower's deferrable status. (See Section 101.4.5 of the Student Financial Aid Guidelines.)

44. If the PCL borrower qualifies for deferment based on pursuing a full-time educational activity directly related to his or her degree that occurs after graduation from medical school, does the grace period run concurrently with the period of related activity?

Yes. As with HPSL, the grace period runs immediately upon completion/termination of studies leading to the first professional degree and cannot be postponed to follow any deferments for which the borrower may be eligible (see Section 101.4.4 of the Student Financial Aid Guidelines). Any eligible deferment period would begin after the grace period has expired.

PCL-School Compliance Regarding Output of Primary Care Practitioners

45. Has HHS clarified its procedures for tracking schools' compliance regarding output of primary care practitioners for the PCL program?

HHS will begin collecting information on the percentage of an allopathic or osteopathic medical school's graduates entering primary care as part of the June 1996 Annual Operating Report (AOR). This report will request information on: (1) the number of students who graduated in 1993 from the allopathic or osteopathic medical school; and (2) the number of 1993 graduates who were in primary care (either residency or practice) during 1995-1996, their third post graduate year (PGY-3). These two numbers, which will be provided by the school, will be used by HHS to calculate the percentage of graduates in primary care.

To assist schools in determining the number of PGY-3 graduates who were in primary care residencies during 1995-96, the Association of American Medical Colleges has indicated that it will provide each allopathic medical school with the number of its PGY-3 graduates identified in the National Residency Matching Program database as participating in primary care residency training during 1995-96. The American Association of Colleges of Osteopathic Medicine (AACOM) has also indicated that it will provide each osteopathic medical school with similar data.

46. When will schools be provided with a draft of the report format for collecting primary care data?

The primary care data will be collected as two additional data elements on the AOR. Since this is only a minor change to the existing report, and since schools have been notified what the two data elements are (see question directly above), HHS is not planning to send out a draft report.

47. When calculating the school penalty for not complying with the requirements regarding primary care output, schools must return a specified percentage of the income received during the period. How does HHS define income?

For purposes of calculating the school penalty for not complying with the requirements regarding primary care output, income is defined in section 723(d)(4) of the PHS Act to mean payments of principal and interest on any loan made from the fund and any other earnings of the fund.

48. When calculating the amount of funds that must be returned by a school that is not in compliance with the requirements regarding output of primary care practitioners-i.e., 10 percent of fund income in 1997, 20 percent in 1998, and 30 percent annually thereafter. Does the school first subtract its proportionate share of matching funds from the amount to be returned? No. The law specifies that the amount of income *to be returned* must equal the specified percentage of income during that year. However, the school does have the option of withdrawing from the fund, in addition to the amount returned to the Department, the proportionate share of institutional matching funds that are associated with the amount of funds returned. For example, if fund income from July 1, 1996 through June 30, 1997 equals \$900,000, the school would be required to return 10 percent, or \$90,000, to the Department. A school that has matched with 1/9 institutional funds could then choose to withdraw an additional \$10,000 from the fund and return it to the institution, resulting in a total decrease in the fund of \$ 100,000.

49. Are LDS funds included when determining the amount of funds that must be returned by schools that do not comply with the requirements regarding output of primary care practitioners?

No. LDS funds are not subject to the primary care requirements and are not included when calculating the school penalty associated with the output of primary care practitioners.

EFN and FADHPS—Institutional Awards

50. For EFN and FADHPS, it is possible to make a single dollar amount award to the schools and then permit the school to divide the award into EFN and FADHPS awards based on the eligibility of their students?

No. EFN and FADHPS funding is provided as 2 separate appropriations specifically earmarked for each program. As a result, it is not possible to combine these amounts into a single award and allow the school to divide it based on student eligibility.

51. Are there any foreseeable changes in the awarding format for EFN and FADHPS? With the requirement that the award cover one full year of tuition, fees, and educational costs, and allocations to schools based on last year's costs, many schools receive either too little money or have money left over. This is especially frustrating when the award is a few dollars short of full costs and must therefore be returned. Could we make one partial award in each discipline with the leftover funds?

The EFN and FADHPS statute requires that these scholarship awards be made in an amount equal to the cost tuition and other reasonable educational expenses, including fees, books, and laboratory expenses. Because of this requirement, partial scholarships cannot be made. However, schools that need additional money to fund a recipient at the required level may request it from HHS on a first-come, first-serve basis or may use institutional funds to make up the difference. If a school adds institutional funds to the award to bring it to the required level, these funds would become

part of the debt owed to HHS in case of default. Schools with more funds than needed are encouraged to notify HHS as soon as possible so that those funds can be reallocated to a school that needs additional funding.

52. If an EFN recipient drops out of school due to unsatisfactory academic progress, and only half of the scholarship funds were used, what options does the school have with regard to using the remaining funds?

The school may request additional funding from HHS or match with sufficient institutional funds to allow another eligible student to receive the EFN at the full amount required by law--i.e., tuition, fees, and other educational expenses. If sufficient funds are available to make the award to another student at its full amount, this may be done. If sufficient funds are not available to make a full award, the school would be required to return these funds to HHS. In any case, the funds must be used or returned to HHS in the year for which they were awarded; they may not be held over until the following year for reawarding to the same or any other student.

We appreciate your continued diligence in implementing the Primary care programs and in administering and managing all of the HHS campus-based programs. Questions regarding this memorandum should be directed to the Office for Campus Based Programs at 301 443-4776.