

June 1984

Bureau of Health Professions

To: Officials of Schools Actively Participating in the Federal
Capital Contribution (FCC) Health Professions Student Loan
(HPSL) and Nursing Student Loan (NSL) Programs

Subject: Policy Memorandum Number Seven

Introduction

This communication is the seventh in a series of memoranda issued by the Division of Student Assistance (DSA), Bureau of Health Professions (Bureau), concerning items of interest to the health professions and nursing student financial aid community. This memorandum addresses, for those schools actively participating in the FCC HPSL and NSL programs: (1) the existing annual and quarterly reporting requirements, (2) the penalties for failure to comply with the reporting requirements, and (3) the procedures for requesting permission to return to ACTIVE participation status after a program has entered SUSPENDED or TERMINATED status for failure to comply with the reporting requirements.

Reporting Requirements

Schools or programs participating in the HPSL and NSL programs must provide on a timely basis the following reports (completed on original forms according to instructions) in order to be in compliance with reporting requirements:

- (1) An Annual Operating Report (AOR) covering the 12-month period from July 1 of one year through June 30 of the following year; and
- (2) Quarterly Debt Management Reports (QDMR) covering the following three-month periods:
 - (a) QDMR-1: July 1 through September 30 of each year;
 - (b) QDMR-2: October 1 through December 31 of each year; and
 - (c) QDMR-3: January 1 through March 31 of each year.

The Bureau mails the forms and instructions for the AOR and the QDMR to the Authorizing Official of each school or program approximately two weeks before the end of the reporting period. The report (completed on original forms according to instructions) plus two copies must

be received in the office designated in the instructions (and appearing on the bottom of each report page to be returned) within 45 days of the close of the reporting period, in order for a school or program to be in compliance with reporting requirements and to remain in ACTIVE participation status. If the Bureau returns a report to the school because the school did not properly complete the report in its original submission, the Bureau considers such a report as “not received” until the school has returned the report and the Bureau has accepted the report as properly completed. For this reason, a school should submit each report as early as possible in order to allow adequate time for resubmission prior to the 45-day deadline in the event the Bureau returns the report to the school for corrections.

A school or program whose report is not received by the due date (completed on original forms according to instructions) is not in compliance, is automatically placed in SUSPENDED status the day following the report due date, and is subject immediately to the penalties outlined below.

Penalties for Failure to Comply with Reporting Requirements

SUSPENDED STATUS: Any school or program from which the Bureau has not received a properly completed report within 45 days of the close of a reporting period automatically enters SUSPENDED status THE DAY AFTER THE REPORT DUE DATE. While in SUSPENDED status, the following restrictions apply:

- (1) The school may not make loan disbursements from its HPSL or NSL fund;
- (2) The school must deposit all HPSL or NSL funds on hand, plus subsequent collections, immediately into an insured interest-bearing account set up for such funds; and
- (3) The school may not draw down any Federal funds awarded to the HPSL or NSL fund.

TERMINATED STATUS: Any school or program from which the Bureau has not received a properly completed report within six months of the close of a reporting period automatically enters TERMINATED status THE DAY AFTER THE END OF THE SIX-MONTH PERIOD. While in TERMINATED status, the following restrictions apply:

- (1) The school may not make loan disbursements from its HPSL or NSL fund;
- (2) The school may not draw down from PMS (formerly DFAFS) any Federal funds awarded to the HPSL or NSL fund;
- (3) The school must immediately return the Federal portion of its HPSL or NSL funds on hand to the Federal Government; and

(4) The school must deposit future collections into an insured interest-bearing account, and remit the Federal portion of all future collections to the Federal Government at the end of each subsequent quarter, for as long as it remains in TERMINATED status.

Make checks payable to "Public Health Service, HRSA," along with a letter containing the following information:

- (1) Name of institution;
- (2) Type and purpose of program funds being remitted (e.g., Federal Capital Contribution - Health Professions Student Loan Program - remittance of student loan collections);
- (3) The institution identification number (OPS No.), which is found in the upper right hand portion of the AOR or DMR.; and
- (4) The amount of principal, interest, and investment income, if any.

A TERMINATED school must send its quarterly remittance and all identifying information to the following address:

Collection Officer
Division of Fiscal Services, HRSA
Parklawn Building, Room 16A-08
5600 Fishers Lane
Rockville, Maryland 20857

Procedures for Requesting Permission to Return to ACTIVE Status

SUSPENDED STATUS: A school or program that enters SUSPENDED status for failure to comply with the reporting requirements, but submits its overdue report (completed on original forms according to instructions) prior to six months after the end of the reporting period (when it would otherwise enter TERMINATED status), may return to ACTIVE participation status as soon as the Authorizing Official receives a letter from the Bureau notifying him or her that the Bureau has received the properly completed report and has lifted the SUSPENDED status. In these cases, the Bureau does not require the school to certify its compliance with the restrictions of SUSPENDED status. However, if auditors subsequently find that the school made loan disbursements during any period of SUSPENDED status, the school will be required to reimburse the fund for these amounts.

TERMINATED STATUS: A school or program that enters TERMINATED status for failure to comply with the reporting requirements must submit the following documents to the Bureau in order to receive permission to return its HPSL or NSL fund to ACTIVE participation status:

- (1) A letter petitioning for reinstatement based on compliance with the reporting requirements;
- (2) All overdue reports (original plus two copies), completed according to instructions;
- (3) A copy of the check(s) sent to the Federal Government remitting the Federal portion of the HPSL or NSL fund at the time the school entered TERMINATED status, and at the end of each subsequent quarter during which the school remained in TERMINATED status; and
- (4) An independent (internal or external) audit report (or certification by the Authorizing Official), which attests to the following:
 - (a) That during the period of SUSPENDED and TERMINATED status, the school deposited the HPSL or NSL funds, plus collections, in an insured interest-bearing account (which during the period of TERMINATED status were remitted to the Federal Government at the end of each quarter);
 - (b) That during the period of SUSPENDED and TERMINATED status, the school made no loan disbursements from the HPSL or NSL fund; and
 - (c) That during the period of SUSPENDED and TERMINATED status, the school did not draw down from PMS (formerly DFAFS) any Federal funds awarded to the HPSL or NSL fund.

The school must send the above items to the following address:

Dr. Lawrence R. Fess
Student & Institutional Assistance Branch/DSA
Room 8-44, Parklawn Building
5600 Fishers Lane
Rockville, Maryland 20857

Upon receipt and review of the above items, the Bureau will notify the Authorizing Official by letter that the HPSL or NSL fund may return to ACTIVE participation status. Until the Authorizing Official receives this written notification from the Bureau, the school's HPSL or NSL fund will remain in TERMINATED status.

After being returned to ACTIVE participation status, a school or program may resume use of any collections that may have accumulated since the last quarterly remittance to the Government and any future collections of its HPSL or NSL fund, and may stop the quarterly remittance of its HPSL or NSL collections to the Federal Government.

The above procedures assume that a school or program is in compliance with any applicable performance standard relative to loan delinquency. If a school is not in compliance with the loan delinquency performance standard provisions, the appropriate penalties for failure to comply with the performance standard would continue to apply to the HPSL or NSL fund.

An institution which offers degrees in several health disciplines (e.g., medicine, dentistry, baccalaureate nursing, and graduate nursing), and operates an HPSL or NSL fund for each discipline, must submit a separate report for each fund. If the institution fails to submit one of its reports (e.g., report for HPSL fund for school of medicine) on time, but submits all other reports (completed on original forms according to instructions) by the due date, only the school or program with the overdue report will face the penalties described above. The Bureau treats each program separately and imposes penalties for noncompliance with either reporting requirements or loan delinquency performance standards only on the funds of those programs at the institution which have failed to comply, rather than on all programs of the institution.

We will be pleased to respond to any comments or questions regarding this memorandum. In order to benefit from all questions, and for the purpose of the development of future policy, we request that you direct telephone inquiries to the Program Development Branch at (301) 443-4540. Please address correspondence to Room 8-48, Parklawn Building, 5600 Fishers Lane, Rockville, Maryland 20857. Thank you for your cooperation.

Michael Heningburg
Director
Division of Student Assistance