

November 15, 1988

To: Officials of Schools Participating in the Health Professions and Nursing Student Assistance Programs

Subject: Policy Memorandum Number Thirteen

The President signed Public Law (P.L.) 100-607, the Health Omnibus Programs Extension of 1988, on November 4, 1988. This law reauthorizes Health Professions Student Loan (HPSL) and Nursing Student Loan (NSL) Programs, the Exceptional Financial Need (EFN) Program, and the Program of Financial Assistance for Disadvantaged Health Professions Students (FADHPS). A summary of the amendments which affect the Division of Student Assistance programs follows. These amendments became effective November 4, 1988, the date of enactment.

### HPSL Program

- (1) Authority to continue operating the HPSL program: Eliminates any fixed date for the distribution of assets to be made, thus permitting the HPSL program to continue operating as a revolving fund indefinitely. Does not authorize additional funding for loans.
- (2) Uncollectible loans: Provides that the Secretary shall not require a school to reimburse the student loan fund for loans that became uncollectible before August 1985 or penalize a school with respect to those loans. Additional information on this provision will be provided in time for schools to complete the December 31 Debt Management Report.
- (3) Interest rate: Reduces the interest rate chargeable on student loans from 9 percent to 5 percent (applies to any HPSL loan made on or after November 4, 1988).
- (4) Deferment: Excludes from the 10-year repayment period all periods during which a borrower is pursuing a full-time course of study at a health professions school eligible for participation in the HPSL program (applies to any HPSL loan made on or after November 4, 1988).

HPSL promissory notes or disbursements signed on or after November 4, 1988, must include the new interest rate and reflect the revised deferment provision. We have enclosed a copy of a revised HPSL note which may be duplicated and used for loans made on or after November 4, 1988. If schools have already printed their HPSL notes for this year, the only changes required are in the interest rate provision and the deferment provision. (These changes may be handwritten on the note, provided that they are initialed and dated by both the school and the borrower.) For schools that use the promissory note forms provided by the Department, the enclosed form should be reproduced for use until an additional supply is available.

### NSL Program

- (1) Authority to continue operating the NSL program: Authorizes the NSL program to continue operating as a revolving fund until September 30, 1994, but does not authorize additional funding for loans.
- (2) Uncollectible student loans: Provides that the Secretary shall not require a school to reimburse the student loan fund for loans that became uncollectible prior to 1983. Additional information on this provision will be provided in time for schools to complete the December 31 Debt Management Report.

(3) Increases in student loan amount: Authorizes an increase in the maximum student loan for each of the final two academic years from \$2,500 to \$4,000 and an increase in the maximum aggregate from \$10,000 to \$13,000

(4) Exceptional financial need: Removes the exceptional financial need criterion as an eligibility requirement, but includes persons of exceptional financial need in the category of students to whom a school must give preference; requires all NSL recipients to demonstrate financial need.

(5) Deferment: Expands deferment provisions to exclude from the 10-year repayment period all periods up to 10 years (rather than 5 years) during which the borrower is pursuing a full-time or half-time (half-time added) course of study at a collegiate school of nursing leading to a baccalaureate degree in nursing or an equivalent degree, or a graduate degree in nursing, or is otherwise pursuing advanced professional training in nursing (or training to be a nurse anesthetist) (applies to any NSL loan made on or after November 4, 1988).

(6) Interest rate: Reduces the interest rate chargeable on student loans from 6 percent to 5 percent (applies to any NSL loan made on or after November 4, 1988).

(7) Loan repayment for service: Revises the loan repayment for service provision to specify that the Secretary may enter into an agreement to pay a portion of a borrower's educational loans if a borrower serves as a registered nurse for a period of not less than 2 years in an Indian Health Service health center, a Native Hawaiian health center, a public hospital, a migrant health center, a community health center, a nursing facility, a rural health clinic, or a health facility determined by the Secretary to have a critical shortage of nurses.

(a) Priority in selection for repayment: Provides that the Secretary must give priority to applicants with the greatest financial need and applicants agreeing to serve in a health facility located in a geographic area with a shortage of and need for nurses as determined by the Secretary.

(b) Definition of services as a condition for repayment: Provides that the term community health center has the meaning given it in section 330(a) of the Public Health Service (PHS) Act; the term migrant health center has the meaning given it in section 329(a)(1) of the PHS Act; the term nursing facility has the meaning given it in section 1919(a) of the Social Security Act (for Fiscal Year (FY) 1991 and subsequent fiscal years), except for FY 1989 and 1990, the term nursing facility means an intermediate care facility and a skilled nursing facility, as the terms are defined in subsections (c) and (i), respectively, of section 1905 of the Social Security Act; and the term rural health clinic has the meaning given it in section 1861(aa)(2) of the Social Security Act.

(c) Authorization of appropriations for loan repayment for shortage area service: Authorizes \$6,000,000 for each of the fiscal years 1989 through 1991 for the loan repayment for service provision. (No funds were included in the FY 1989 appropriations act for this activity.)

(8) Loan repayment for failure to complete studies: Eliminates the criterion that an individual must come from a low-income or disadvantaged family to be eligible for loan repayment when the borrower fails to complete the nursing studies. (No funds are appropriated for this provision.)

NSL promissory notes or disbursements signed on or after November 4, 1988, must include the new interest rate and reflect the revised deferment and repayment provisions. We have enclosed a copy of a revised NSL note which may be duplicated and used for loans made on or after November 4, 1988. If schools have already printed their NSL notes for this year, the changes in the interest rate, deferment, and repayment provisions must be added either through amendments initialed and dated by both the school and the borrower, or through an addendum which includes the amended provisions and is signed and dated by the borrower. For schools that use the promissory note forms provided by the Department, the enclosed form should be reproduced for use until an additional supply is available.

### New Nursing Scholarships

Establishes a new Nursing Scholarship program with a required service obligation and includes authorization levels of \$15,000,000 for FY 1989 and \$30,000,000 for each of FY 1990 and FY 1991. (No funds were included in the FY 1989 appropriations act.) Also provides that NSL funds returned to the Secretary and not reallocated to NSL schools during the two-year period of fund availability will be available for purposes of this program until expended. Additional information on this program will be provided in the future.

### EFN Scholarship Program

- (1) Authorization levels: Authorizes \$7,300,000 for FY 1989, \$30,000,000 for FY 1990, and \$30,000,000 for FY 1991.
- (2) Removal of restriction to first-year students: Deletes the requirement that funds be granted only to first-year students, allowing schools to use funds to support eligible students in any year of their educational program. This amendment applies to any funds that have been awarded to the school for the 1988-1989 academic year, as well as to future awards.
- (3) Use of funds for less than full scholarships: Allows schools to use EFN scholarship funds to make awards for all or part of a student's total budget (but not exceeding the maximum amount allowed prior to this amendment), thus giving each school discretion in dividing the amount of its total allocation among eligible students in a manner that it believes will best meet its students' needs. This amendment applies to any funds that have been awarded to the school for the 1988-1989 academic year, as well as to future awards.

Although these amendments grant a school greater discretion in determining how to use its EFN Scholarship funds, the school must continue to follow the priorities outlined in the EFN scholarship regulations, which state that funds must be awarded to eligible students in order of greatest need, beginning with students who have zero resources available to contribute to their educational costs. Since a school no longer is required to award these funds as full Scholarships, it may choose to award smaller scholarship amounts to a larger number of students. In determining eligible students, the school may include any student who meets the EFN scholarship criteria of having less than \$5,000 in resources to contribute to his or her educational costs, provided that it follows the funding priority required by the regulations (i.e., students with zero resources must be funded before the school may fund students with up to \$500 of resources; students with up to \$500 of resources must be funded before the school may fund students with \$501 to \$1000 of resources; etc.).

### FADHPS Program

- (1) Authorization levels: Authorizes \$6,240,000 for FY 1989, \$6,800,000 for FY 1990, and \$7,200,000 for FY 1991.
- (2) Program administration: Includes language requiring that FADHPS funds be administered and awarded in the same manner and subject to the same regulations as EFN Scholarship funds. However, the legislation authorizing the FADHPS program also continues to require that eligible students must be from a disadvantaged background and be of exceptional financial need. Consequently, no change is required in the administration of the FADHPS program.

For a copy of the Health Omnibus Programs Extension of 1988, you should contact the Government Printing Office, Washington, D.C., 20402, or look in the Congressional Record of October 13, 1988, (available in many libraries) for S. 2889. Please contact the Program Development Branch at 301-443-4540 if you have any questions on the new legislation.