

May 16, 1988

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

Subject: Policy Memorandum Number Twelve

This memorandum is to provide clarification of the regulations for the Health Professions Student Loan (HPSL) Program, the Exceptional Financial need (EFN) Scholarship Program, and the Program of Financial Assistance for Disadvantaged Health Professions Students (FADHPS) with regard to selecting applicants and determining the amount of funds to be awarded.

#### Use of Parent Contribution in Awarding HPSL, EFN, or FADHPS Funds

The HPSL, EFN, and FADHPS regulations require that, in selecting qualified applicants and determining the amount of funds to award, the school must consider the financial resources available to the applicant using a need analysis system approved by the Department of Education (ED), and must take into account, regardless of the status of the student, the expected contribution from parents. This is required even if the applicant qualifies as independent for purposes of other aid programs.

To comply with this requirement, schools should note the following:

The parent contribution must be used both in determining eligibility for HPSL, EFN, or FADHPS funds and in determining the maximum amount of funds (within statutory limits) for which a student qualifies. The amount of HPSL, EFN, and FADHPS funds awarded plus the amount of the student's expected family contribution, including parent contribution, may not exceed the student's costs of attendance.

If a student is eligible for and receives funds under the HPSL, EFN, or FADHPS requirements (using parental contribution), but is considered independent for purposes of need-based funds administered by ED, the school may follow the ED procedures, which do not require that the school consider the parent contribution as an available resource, for purposes of awarding ED funds to independent students. In this case, it is possible that, when determining amount of a student's need for ED programs, the student's expected family contribution would be less (due to exclusion of the parent contribution) than when determining the amount of his or her need for the HPSL, EFN, or FADHPS programs. In such situations, ED funds could be used to fill a need that, for HPSL, EFN, or FADHPS purposes, is expected to be available from parents. We would not consider this an over award as long as the student qualified for the ED funds as an independent student, and the amount of the award did not exceed the amount of the student's unmet need.

This policy does not preclude a school from requiring that the parent contribution be considered as an available resource in the awarding of all need-based aid. The Department continues to believe that this approach may be of greatest benefit to the borrower, by helping to assure that the borrower obtains assistance from his or her parents, to the extent possible, before borrowing funds from the Federal Government.

#### Required Methodology for Determining the Parent Contribution for HPSL, EFN and FADHPS Applicants

As discussed above, the HPSL, EFN, and FADHPS regulations require that a school must consider the financial resources available to an applicant using a need analysis system approved by ED, and must take into account, regardless of the status of the student, the expected contribution from parents. Since the Higher Education Amendments of 1986 established the Congressional Methodology (CM) as the approved need analysis system for ED beginning with

the 1988-89 Academic Year, CM also must be used for the HPSL, EFN, and FADHPS programs. However, the Department is aware that for the 1988-89 Academic Year, at least one of the major need analysis servicers is not able to provide the parent contribution, using CM, for a student who qualifies as independent under ED programs. Accordingly, schools should note the following:

For the 1988-89 Academic Year only, the Department will allow schools to calculate the parent contribution, for a student who is independent by ED's criteria, using an alternative calculation provided by a need analysis servicer if the servicer has been approved by ED for the 1988-89 Academic Year.

All student contributions (dependent or independent), and all parent contributions for students who are dependent under the ED definition, must be calculated using CM.

Beginning with the 1989 Academic Year only, CM must be used to calculate both student and parent contributions for all HPSL, EFN, and FADHPS recipients.

Questions regarding this policy should be directed to the Program Development Branch at 301-443-4540.