

STUDENT FINANCIAL AID GUIDELINES

FISCAL MANAGEMENT

Program Monitoring

U.S. DEPARTMENT
OF HEALTH AND HUMAN SERVICES
Public Health Service
Health Resources and Services Administration
Bureau of Health Professions
Division of Student Assistance

PROGRAM MONITORING

CHAPTER 1 REPORTS	Page 4
Section 1 FAILURE TO SUBMIT THE REPORTS	Page 4
Section 2 SCHOOLS IN CLOSING STATUS	Page 5
Section 3 FINANCIAL STATUS REPORT	Page 5
 CHAPTER 2 PERFORMANCE STANDARDS	 Page 6
Section 1 PARTICIPATION IN THE PRIMARY CARE LOAN PROGRAM ...	Page 6
A. INSTITUTIONAL PENALTIES FOR NONCOMPLIANCE ..	Page 6
B. REDISTRIBUTION OF RETURNED FUNDS	Page 7
C. AWARDS TO INSTITUTIONS	Page 7
Section 2 DEFAULT RATE	Page 7
A. FAILURE TO MEET THE PERFORMANCE STANDARD ..	Page 8
Section 3 PARTICIPATION IN THE HEALTH EDUCATION ASSISTANCE LOAN PROGRAM	Page 9
A. DEFAULT RATE STATUS	Page 9
B. RISK CATEGORIES	Page 9
1) DETERMINING A SCHOOL'S RISK CATEGORY ..	Page 10
2) CHANGING A SCHOOL'S RISK CATEGORY	Page 10
3) RISK-BASED INSURANCE PREMIUMS	Page 11
C. DEFAULT MANAGEMENT PLANS	Page 11
 CHAPTER 3 PROGRAM ASSESSMENTS	 Page 12
Section 1 SELECTION OF INSTITUTIONS TO BE ASSESSED	Page 12
Section 2 SITE VISIT PROCEDURES	Page 12
A. ENTRANCE INTERVIEW	Page 12
B. PROGRAM REVIEW	Page 13
C. EXIT INTERVIEW	Page 13
Section 3 FOLLOW-UP LETTER TO INSTITUTION	Page 13
 CHAPTER 4 COMPLIANCE SITE VISITS	 Page 14
Section 1 CRITERIA FOR A COMPLIANCE VISIT	Page 14
Section 2 SITE VISIT PROCEDURES AND FOLLOW-UP LETTER	Page 14
 CHAPTER 5 INSTITUTIONAL CHECKLIST	 Page 15
Section 1 INTRODUCTION	Page 15
Section 2 ADMINISTRATION ORGANIZATION	Page 15

Table of Contents

Page 3

Section 3 SELECTION OF RECIPIENTS	Page 16
Section 4 ANTICIPATING LOAN COLLECTIONS	Page 18
Section 5 THE EXIT INTERVIEW	Page 19
Section 6 BILLING AND COLLECTION	Page 20
Section 7 EVALUATING YOUR ANSWERS	Page 23
CHAPTER 6 BASIC TRAINING AND CONTINUING EDUCATION FOR FINANCIAL AID AND FISCAL ADMINISTRATORS	Page 24
Exhibits	Page 25
Exhibit A External Loan Review Process	Page 25
Exhibit B DSA Write-off Review Process	Page 27
Exhibit C Due Diligence Check List	Page 28
Exhibit D Calculation of NSL Default Rate	Page 30
Exhibit E Calculation of [HPSL or PCL] and LDS Default Rate(s)	Page 30
Exhibit F Closing Programs - Return of Excess Cash - Version 1	Page 31
Exhibit G Closing Programs - Return of Excess Cash - Version 2	Page 33
Exhibit H Certification Statement	Page 35

CHAPTER 1 REPORTS

The Annual Operating Report (AOR) is the official reporting document required to be submitted for the Health Professions and Nursing FCC Loan Programs. The AOR is the principal monitoring instrument used by the Department of Health and Human Services to evaluate institutional performance. For this reason, it is important that the AOR be accurate, consistent with applications and identical with institutional ledgers.

Section 1 FAILURE TO SUBMIT THE REPORTS

Reports must be submitted within 45 days of the close of the reporting period. Extensions are not granted. Schools that fail to submit the complete required report by the due date are:

- ineligible to receive new FCC awards;
- not authorized to draw down funds from the Payment Management System (PMS); and
- not authorized to make loan disbursements from the loan fund.

The above restrictions apply until the Secretary determines that the school is in compliance with the reporting requirements.

[42 CFR Part 57.215 and 42 CFR Part 57.315]

Schools that fail to submit a complete report within six months of the close of the reporting period will be subject to termination. The Secretary will provide the school with a written notice specifying his or her intention to terminate the school's participation in the program and stating that the school may request, within 30 days of the receipt of this notice, a formal hearing. If the school requests a hearing, it must within 90 days of the receipt of this notice, submit material, factual issues in dispute to demonstrate that there is cause for a hearing. These issues must be both substantive and relevant. The hearing will be held in the Washington, DC metropolitan area. The Secretary will deny a hearing if:

- the request for a hearing is untimely (i.e., fails to meet the 30-day requirement);

- the school does not provide a statement of material, factual issues in dispute within the 90-day required period; or
- the statement of factual issues in dispute is frivolous or inconsequential.

In the event that the Secretary denies a hearing, the Secretary will send a written denial to the school setting forth the reasons for denial. If a hearing is denied, or if as a result of the hearing termination is still determined to be necessary, the school will be terminated from participation in the program and will be required to return the Federal share of the fund to the Department of Health and Human Services. A school terminated for failure to submit a complete report within six months of the close of the reporting period must continue to pursue collections and may reapply for participation in the program once it has submitted the overdue report.

[42 CFR Part 57.215 and 42 CFR Part 57.315]

Section 2 SCHOOLS IN CLOSING STATUS

Effective September 1993, schools in program closing status are no longer required to submit Debt Management Reports; however, institutions phasing out of the loan programs are still required to remit the Federal Share of collections less costs on a quarterly basis.

Section 3 FINANCIAL STATUS REPORT

A Financial Status Report (FSR) is required after the end of the project period, which is equivalent to the end of the fiscal year in which the funds were awarded. The Department of Health and Human Services forwards the FSR to institutions as part of the automated AOR. If, at the completion of the project year, schools have unobligated funds remaining in the scholarship account, the school must return these dollars to the Department of Health and Human Services. Schools that fail to complete the report or fail to use prior year allocations are not eligible to receive future funds.

CHAPTER 2 PERFORMANCE STANDARDS

Section 1 PARTICIPATION IN THE PRIMARY CARE LOAN PROGRAM

The following standards apply for participation in the Primary Care Loan Program by schools of allopathic or osteopathic medicine.

Beginning with the one-year period ending June 30, 1997, and for each subsequent one-year period, a school must meet at least one of the following conditions with respect to its graduates of the school whose date of graduation from the school occurred approximately four years before the end of the one-year period:

- not less than 50 percent of the school's designated graduates meet the criterion of either being in a primary health care residency training program or being engaged in the practice of primary health care; or
- not less than 25 percent of the school's designated graduates meet the above criterion, and this percentage is not less than five percentage points above the percentage of such graduates meeting such criterion for the preceding one-year period; or
- the school is in the top 25th percentile of participating Health Professions Student Loan Program schools relative to the proportion of the designated graduates who meet the above criterion.

[Section 723(b) of the Public Health Service Act]

A. INSTITUTIONAL PENALTIES FOR NONCOMPLIANCE

Schools that do not meet one of the criteria listed in Section 1 above are subject to certain penalties. The penalties, which are described below, require schools to return a portion of their Health Professions Student Loan fund incomes, exclusive of any income derived from the Loans for Disadvantaged Students Loan Program.

- For the one-year period ending June 30, 1997, schools that are not in compliance must return 10 percent of the income received during the same period.
- For the one-year period ending June 30, 1998, schools that are not in compliance must return 20 percent of the income received during the same period.

- For each one-year period ending June 30, 1999 and thereafter, schools that are not in compliance must return 30 percent of the income received during the same period.

Schools must pay the amounts required within 90 days of receiving notification of noncompliance from the Division of Student Assistance.

[Section 723(b) of the Public Health Service Act]

B. REDISTRIBUTION OF RETURNED FUNDS

The Division of Student Assistance redistributes funds that allopathic and osteopathic medical schools have returned as a result of not meeting the criteria described in [Chapter 2, Section 1](#) above.

C. AWARDS TO INSTITUTIONS

Most processes for awarding Primary Care Loan Program funds are the same as the Health Professions Student Loan Program funds. (See [Health Professions, HPSL, Chapter 2](#).) However, there is one exception for distributing newly authorized funds to allopathic and osteopathic schools. The law restricts these funds to schools that meet at least one of the three conditions described in [Chapter 2, Section 1](#) above.

Section 2 DEFAULT RATE

The regulations require a school to meet a performance standard for participation in the Health Professions and Nursing FCC Loan Programs.

On June 30 each year a school must have a default rate of not more than five percent. The default rate is the ratio (stated as a percentage) that the defaulted principal amount outstanding of the school bears to the matured loans of the school. For this purpose:

- the term "defaulted principal amount outstanding" means the total amount borrowed from the loan fund of a school that has reached the repayment stage (minus any principal amount repaid or cancelled) on loans in default for 120 days or more.
- the term "matured loans" means the total principal amount of all loans made by a school minus the total principal amount of loans made by the school to students who are enrolled in a full-time course of study at the school or are in their grace period.

The worksheet for calculating the default rate for the Nursing FCC Loan Program can be found at [Exhibit D](#). The worksheet for calculating the default rate in one or more of the Health Professions FCC Loan Programs can be found at [Exhibit E](#).

Any school that has a default rate greater than five percent on June 30 of any year will be required to:

- reduce its default rate by fifty percent (or a school with a default rate below 10 percent must reduce its rate to five percent) by the close of the following six-month period; and
- by the end of each succeeding six-month period, reduce its default rate to 50 percent of the required rate for the previous six-month period until it reaches five percent.

A. FAILURE TO MEET THE PERFORMANCE STANDARD

Any school which fails to comply with the requirements will receive no new Federal funds and will be required to:

- maintain the funds and all subsequent collections in an interest-bearing account;
- make no loan disbursements; and
- by the end of the succeeding six-month period, reduce its default rate to 50 percent of the rate it failed to achieve or five percent. A school that meets this requirement will be permitted to resume the use of its funds, but must continue to comply with the requirements of a 50 percent reduction of the required rate for the previous six-month period until it reaches five percent.

Any school which fails to comply with these requirements will be subject to termination. The Secretary will provide the school with a written notice specifying his or her intention to terminate the school's participation in the program and stating that the school may request, within 30 days of the receipt of this notice, a formal hearing. If the school requests a hearing, it must within 90 days of the receipt of this notice, submit material, factual issues in dispute to demonstrate that there is cause for a hearing. These issues must be both substantive and relevant. The hearing will be held in the Washington, DC metropolitan area. The Secretary will deny a hearing if:

- the request for a hearing is untimely (i.e., fails to meet the 30-day requirement);

- the school does not provide a statement of material, factual issues in dispute within the 90-day required period; or
- the statement of factual issues in dispute is frivolous or inconsequential.

In the event that the Secretary denies a hearing, the Secretary will send a written denial to the school setting forth the reasons for denial. If a hearing is denied, or if as a result of the hearing, termination is still determined to be necessary, the school will be terminated from participation in the program and will be required to return the Federal share of the fund to the Department of Health and Human Services. A school terminated for failure to comply with the performance standard requirements must continue to pursue collections and may reapply for participation in the program only when it has attained a default rate of five percent or less.

[42 CFR Part 57.216 and 42 CFR Part 57.316]

Section 3 PARTICIPATION IN THE HEALTH EDUCATION ASSISTANCE LOAN PROGRAM

There are also certain performance standards which must be met by schools to participate in the Health Education Assistance Loan (HEAL) Program.

A. DEFAULT RATE STATUS

Effective January 1, 1993, any school with a HEAL default rate in excess of 20 percent became ineligible to participate in the HEAL Program. However,

- historically black colleges and universities with HEAL default rates above 20 percent may continue to participate in the HEAL Program until October 13, 1995 as high-risk schools; and
- the Department may grant a waiver if it determines that the default rate for a school is not an accurate indicator due to a school's low HEAL volume.

In addition, schools have the right to appeal their ineligibility to the Department based on mitigating circumstances.

B. RISK CATEGORIES

Schools with default rates at or below 20 percent may continue to participate in the HEAL Program. However, these schools are divided into three risk categories that determine the

amount of the insurance premium the borrower and the school must pay on each HEAL loan issued. These risk categories are:

- low-risk (the school has a HEAL default rate of five percent or less);
- medium-risk (the school has a HEAL default rate that is greater than five percent but no more than 10 percent); and
- high-risk (the school has a default rate that is greater than 10 percent but no more than 20 percent).

1) DETERMINING A SCHOOL'S RISK CATEGORY

Each school's risk category is determined every September 30 by calculating the institutional default rate. The risk category becomes effective January 1 through December 30 of the following year. The default rate is calculated as follows:

The total principal amount of HEAL loans made to students of the school for a period of enrollment (or expected enrollment) that entered into repayment status after April 7, 1987 for which claims have been paid due to default or bankruptcy

Minus

defaulted HEAL loans for which the borrower has made payments to the Department of Health and Human Services for 12 consecutive months in accordance with a repayment agreement, and HEAL loans that have been discharged due to bankruptcy

Divided by

the total principal amount of HEAL loans made to students of a school for a period of enrollment (or expected enrollment) that entered into repayment status after April 7, 1987.

[Section 719 of the Public Health Service Act]

2) CHANGING A SCHOOL'S RISK CATEGORY

Statute permits schools to pay off outstanding principal and interest owed by borrowers who have defaulted on their HEAL loans. Schools may use this option as a mechanism to reduce their institutional default rates, thus maintaining eligibility (if the default rate is over 20 percent) or

moving to a lower risk category.

[Section 708 of the Public Health Service Act]

3) RISK-BASED INSURANCE PREMIUMS

The Department will send a quarterly billing invoice to all schools that are required to pay a risk-based insurance premium. This invoice will be based on all HEAL disbursements made to students enrolled at that institution during the preceding quarter and reported to the Department. The institution must pay this bill within a specified time period before a delinquency occurs. Schools should pay these bills on a timely basis since a delinquent debt to the Federal Government may initiate limitation and/or suspension.

For further information, see [Health Professions Programs, HEAL, Chapter 3](#).

[Section 708 of the Public Health Service Act]

C. DEFAULT MANAGEMENT PLANS

Schools with default rates greater than five percent, but no more than 20 percent, must prepare and submit an annual default management plan to the Division of Student Assistance for approval.

The default management plan must specify the detailed short-term and long-term procedures that the school will have in place to minimize HEAL defaults. Under the plan, the school must provide an exit interview to all borrowers. The exit interview is to include information concerning repayment schedules, loan deferments, forbearance, and the consequences of default. This requirement also applies to any historically black college or university that has a default rate greater than 20 percent and continues to participate in the HEAL Program during the three-year transitional period which ends on October 13, 1995.

The Division of Student Assistance may grant a waiver of the default management plan requirement if it determines that the default rate for the school is not an accurate indicator due to low HEAL volume.

For a detailed discussion of other compliance requirements of the HEAL Program, see [Health Professions Programs, HEAL, Chapter 2](#).

CHAPTER 3 PROGRAM ASSESSMENTS

Program assessment site visits are conducted to evaluate program operations, identify program strengths and weaknesses, improve program management and interpret the findings leading to suggestions and recommendations for increased efficiency and effectiveness at the institutional and Federal levels.

Section 1 SELECTION OF INSTITUTIONS TO BE ASSESSED

It is an objective of the Division of Student Assistance to conduct an assessment site visit at each participating institution on a periodic basis. However, priority is given to any health professions or nursing school where specific and serious problems are identified through the following sources:

- the review of reports required to be filed with the Division of Student Assistance (i.e., the Annual Operating Reports);
- past assessment reports;
- previous audits; and
- telephone communication or correspondence between the Division and the school.

Section 2 SITE VISIT PROCEDURES

A. ENTRANCE INTERVIEW

All site visits begin with an entrance interview with the Authorizing Official, the Financial Aid Administrator, the Fiscal Officer and other selected school officials. The purpose of the visit is reviewed and the site visit schedule is developed and finalized.

B. PROGRAM REVIEW

The program review is divided into the following four parts:

- overview of the institution;
- a thorough review of the financial aid office, including staff and policies and procedures;
- review and analysis of student records; and
- a thorough review of the fiscal office, including promissory notes, accounting records, and due diligence activities.

C. EXIT INTERVIEW

The exit interview provides the assessor and the institutional representatives present at the entrance interview an opportunity to review the following assessment findings:

- programmatic strengths;
- programmatic weaknesses; and
- suggested and/or required changes to improve the administration of the program(s).

Section 3 FOLLOW-UP LETTER TO INSTITUTION

The follow-up letter carefully reviews the program strengths, weaknesses, and recommendations covered during the exit interview. Required changes needed to bring program administration into compliance with the statute, regulations, or program policy will stipulate a target date by which the change must be implemented.

Institutions will be expected to respond to the follow-up letter within 30 days.

CHAPTER 4 COMPLIANCE SITE VISITS

A compliance site visit is an on-site program review by a team of Federal and/or non-Federal inspectors with expertise in specific management and fiscal disciplines to investigate and resolve severe programmatic problems at participating institutions.

Section 1 CRITERIA FOR A COMPLIANCE VISIT

The compliance site visit will be scheduled if:

- during the initial assessment the assessor was unable to resolve a severe programmatic problem even with the full cooperation of the institution; or
- the institution failed to respond to Federal follow-up of an assessment; or
- specific and serious problems are known to exist at a participating institution.

Section 2 SITE VISIT PROCEDURES AND FOLLOW-UP LETTER

The compliance site visit procedures and follow-up letter to the institution are similar to the program assessment descriptions found above in [Chapter 3](#).

- ...of the current Notice of Award?
yes____no____unknown____
- ...of the most recent Annual Operating Report
and other required reports describing loan
and scholarship activities?
yes____no____unknown____

The Department does not require that schools integrate the administration of the loan and scholarship programs with those of other State, Federal, institutional, and private aid programs. Most institutions find, however, that students are best served and program goals achieved most easily when there is a coordinated financial aid office responsible for administering programs available to health professions and nursing students.

- Has one institutional office per campus been
delegated responsibility for coordination and
administration of on-campus student aid?
yes____no____unknown____

Section 3 SELECTION OF RECIPIENTS

In a number of areas the institutions have an opportunity to establish local policies governing administration of the programs. The student application and choice of an approved need analysis system are clearly under the control of the institution as are definitions of full-time status, student expense budgets, maximum loans and scholarships (if less than the statutory amount), and other elements of program administration.

- Is there an advisory committee that meets
regularly to set institutional aid policies and
procedures?
yes____no____unknown____
- Is that committee representative of faculty,
administration, students, aid administrators,
and fiscal officers?
yes____no____unknown____
- Is it clearly understood how aid policy is
made and who makes it?
yes____no____unknown____
- Is there an up-to-date document describing
institutional aid policies and procedures?
yes____no____unknown____

-
- Does the institution financial aid application contain information needed to determine eligibility for the funds? yes ___ no ___ unknown ___
 - Is the application reviewed and updated annually? yes ___ no ___ unknown ___
 - Does the institution use a national need analysis system? yes ___ no ___ unknown ___
 - Is the borrower required to submit a new application and need analysis document annually? yes ___ no ___ unknown ___
 - If the calculated family financial contribution does not realistically reflect the actual ability to pay, is it adjusted and documented by the aid administrator? yes ___ no ___ unknown ___
 - Are documents relating to determination of eligibility and financial need assembled into a single folder for each borrower? yes ___ no ___ unknown ___
 - Are documents in those files properly completed, signed by designated representatives, and notarized (if required)? yes ___ no ___ unknown ___
 - If the borrower is not a citizen, does the Financial Aid Administrator require submission of formal documentation to prove permanent residency? yes ___ no ___ unknown ___
 - Does the institution have a formal policy defining full-time or half-time study in accordance with the regulations? yes ___ no ___ unknown ___
 - Has research been conducted to determine the costs reasonably necessary to attend beyond those paid directly to the school? yes ___ no ___ unknown ___
 - Is that research updated regularly? yes ___ no ___ unknown ___

- Does the institution have procedures for terminating scholarship awards if the student ceases to be enrolled full-time? yes ___ no ___ unknown ___

Section 4 ANTICIPATING LOAN COLLECTIONS

Good loan collection procedures begin at the time the loan is granted. Borrowers have a right to know the full terms and conditions of repayment at the time they enter into the loan agreement. Since some students may leave the institution unexpectedly, data sufficient to locate them in that eventuality must be obtained at the time the loan is granted. Repeated exposure of the borrower to the expectations of loan collection makes for a more complete understanding of what will be required and instills a more positive attitude toward repayment of the loan.

- Is the official responsible for collections a participant in the determination of policies governing the approval of loans? yes ___ no ___ unknown ___
- If the Federal promissory note form is not used, has the institutional form been submitted for review and approval? yes ___ no ___ unknown ___
- If the borrower is a minor who cannot enter into a binding obligation, is security or endorsement required? yes ___ no ___ unknown ___
- Is each borrower given a copy of the mandatory disclosure statement required by the Truth-in-Lending Act? yes ___ no ___ unknown ___
- Does the borrower sign a copy of the required Truth-In-Lending Statement, and is that signed copy included in his or her file? yes ___ no ___ unknown ___
- When the student applicant's file is complete, does it contain information sufficient to locate the borrower if he or she should leave without an exit interview? yes ___ no ___ unknown ___

Section 5 THE EXIT INTERVIEW

The financial aid office and/or the fiscal office should be a required check-out point for borrowers withdrawing, transferring, or graduating from school. The official in charge of collection should establish a procedure that is sufficiently prompt and firm to impress the borrower with the seriousness of his or her obligation. The procedure should be effective enough to obtain results and yet retain the good will of the borrower.

- Does the institution have a policy which requires that borrowers leaving school "check-out" at the financial aid or fiscal office? yes ___ no ___ unknown ___

- Is there a regular procedure at the beginning of each new academic period to assure that borrowers who have not had an exit interview have returned to the school? yes ___ no ___ unknown ___

- Is there a procedure for mailing exit interview materials to borrowers who have not returned, or who leave the institution unexpectedly, and who did not have an exit interview to communicate their rights and responsibilities to them? yes ___ no ___ unknown ___

- Does every borrower receive an exit interview communication concerning rights and responsibilities to the fund(s)? yes ___ no ___ unknown ___

The exit interview has two purposes: to review with the borrower his or her rights and responsibilities under the program and to assure that sufficient information is available for effective collection of the loan obligation. Among the "information-giving activities" are a number of things which also improve collection results.

- Are the promissory notes checked to assure that they are completely and correctly filled out? yes ___ no ___ unknown ___

- Is the borrower given copies of the forms necessary to repay, cancel, or defer the loan, as applicable? yes ___ no ___ unknown ___
- Is the Truth-in Lending Statement given to the borrower in the exit interview? yes ___ no ___ unknown ___
- Is a signed copy of the Truth-in-Lending Statement added to the borrower's file following the exit interview? yes ___ no ___ unknown ___

The second function of the exit interview - obtaining personal data to ensure effective collection - is aided by an "exit interview guide" which is a checklist describing the information that the institution has found is effective in locating its borrowers and collecting their loans. An [Exit Interview Checklist](#) is included in Health Professions Programs and Nursing Programs.

- Does the institution have a guide for conducting the exit interview which lists the information to be obtained (or verified)? yes ___ no ___ unknown ___
- During the exit interview, does the institution collect (verify) the address at which the borrower can be reached? yes ___ no ___ unknown ___
- ...the borrower's Social Security Number? yes ___ no ___ unknown ___
- ...the address of the borrower's parents? yes ___ no ___ unknown ___
- ...names and addresses of friends or relatives? yes ___ no ___ unknown ___
- ...names and addresses of creditors? yes ___ no ___ unknown ___

Section 6 BILLING AND COLLECTION

The activities described to this point are really in anticipation of the collection of the Health Professions and Nursing FCC Loan Programs in a timely and efficient manner. Administrative organization, selection of borrowers, anticipation of loan collections, and the exit interview are important only as they provide the institution with a better ability to collect the money it has advanced to borrowers.

- Does the institution send reminders to the borrower during the grace period concerning the terms and conditions of the loan? yes____no____unknown____
- Does the institution send a statement showing principal and interest due prior to the due date of each required payment? yes____no____unknown____
- Does the institution respond promptly to inquiries from borrowers concerning their scheduled payments, problems, or changes in plans and activities? yes____no____unknown____
- Does the institution promptly acknowledge payments, cancellations, or deferments so that the borrower has an understanding of the current status of his or her account? yes____no____unknown____

Inevitably, some borrowers will fail to respond in spite of due diligence by the institution. Accounts will become delinquent. The institution must be alert to delinquent accounts and must take immediate action to assure that the delinquency does not continue.

- Does the institution have a procedure which identifies accounts which are delinquent? yes____no____unknown____
- Is there a regular procedure to notify delinquent borrowers informing them of the consequences of continued delinquency? yes____no____unknown____

The 30-day delinquency notice is the point at which the institution should begin to withhold services to the delinquent borrower.

- For accounts which are delinquent more than 15 days, does the institution have a regular procedure for withholding services? yes____no____unknown____
- ...denying letters of recommendation and placement services? yes____no____unknown____

CHAPTER 6 BASIC TRAINING AND CONTINUING EDUCATION FOR FINANCIAL AID AND FISCAL ADMINISTRATORS

The profession of student financial aid administration and fiscal administration has developed into a vital function of any post-secondary institution. Through its organizational structure of professional associations on the State, regional, and national level, valuable communications channels can be established to enhance any institutional activity. The Department of Health and Human Services strongly urges financial aid and fiscal administrators to become familiar with the professional organizations on an appropriate level. Functions organized by these associations include discussion directly concerned with the administration of all financial assistance programs. For further information about your State and regional organizations you may wish to contact the following:

National Association of Student Financial Aid Administrators (NASFAA)
1920 L Street, N.W.- Suite 200
Washington, DC 20036-5020

National Association of College and University Business Officers (NACUBO)
2501 M Street, N.W. - Suite 400
Washington, DC 20037-1308

Coalition of Higher Education Assistance Organizations (COHEAO)
1101 Vermont Avenue, N.W. - Suite 400
Washington, DC 20005-3521

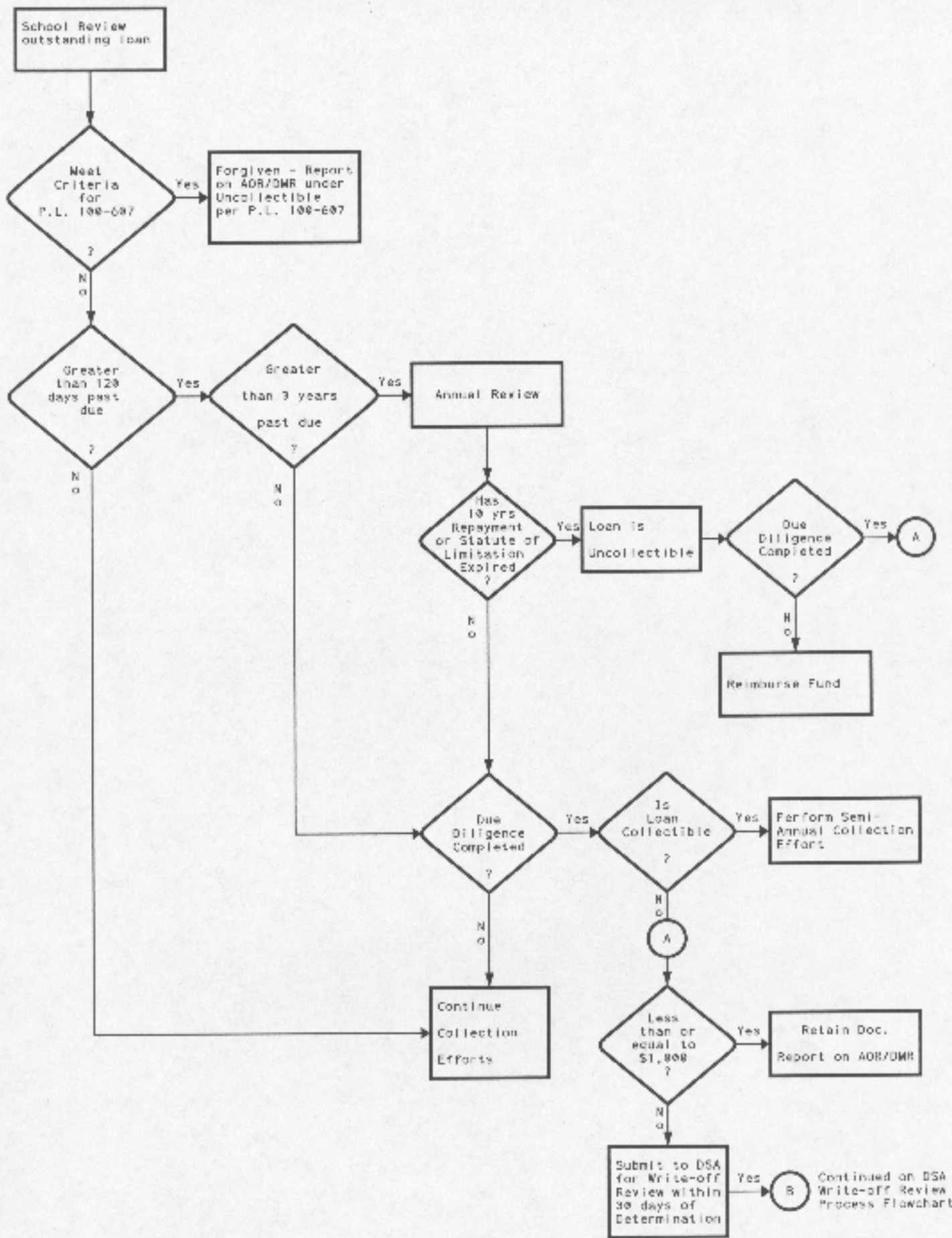
All participating institutions are encouraged to develop a vigorous program of training and continuing education for each member of its financial aid and fiscal staff. In addition, the Division of Student Assistance periodically sponsors special training programs designed to assist in the administration of the health professions and nursing student assistance programs. Participating institutions are notified of these special training programs. The Department of Health and Human Services also believes that the *Guidelines* can be an important and worthwhile part of an institution's training effort.

Exhibits

Exhibit A External Loan Review Process

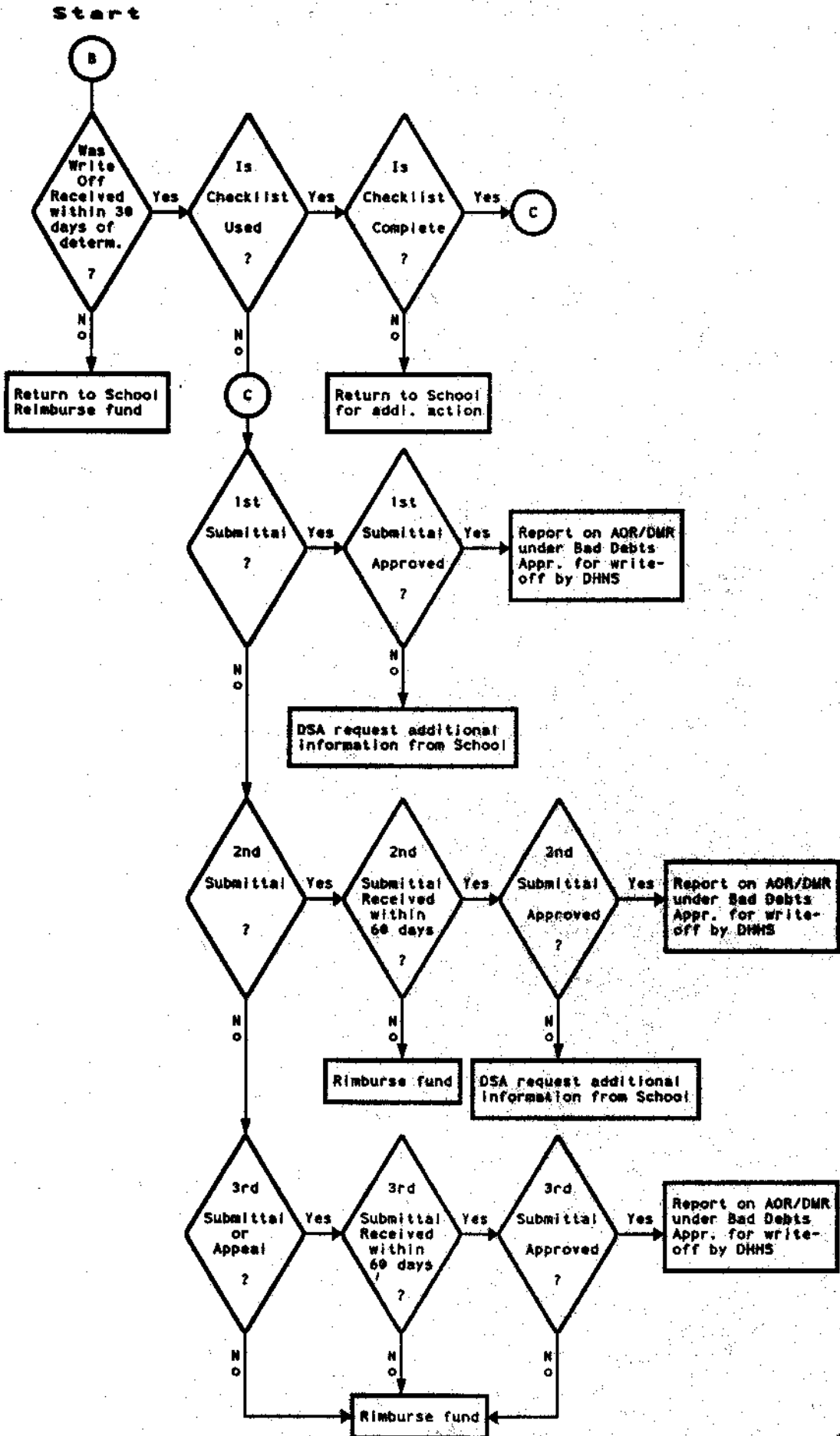
External Loan Review Process

Exhibit A



131 22

DSA Write-off Review Process



**Federal Capital Contribution (FCC) Loans
Due Diligence Check List**

Institution Name: _____

Discipline: _____ State: _____
(Examples: Medicine, Dentistry, Associate, Diploma)

FCC Loan Fund: HPSL PCL LDS NSL
(circle one)

Contact Person and Phone Number: _____

() _____

Borrower Name: _____ SSN#: _____

Separation Date: ___/___/___ Grace Period Ended: ___/___/___
Date Borrower Defaulted

First Payment Due Date: ___/___/___ on Loan: ___/___/___

Date School Determined Loan Uncollectible: ___/___/___

(a) Principal Amount Loaned	(b) Principal Amount Repaid	(c) Principal Amt Cancelled
\$ _____	\$ _____	\$ _____
(d) Principal Amount Outstanding (a-b-c=d)	(e) Penalty/Late Charges Outstanding	(f) Interest Repaid
\$ _____	\$ _____	\$ _____
(g) Interest Cancelled	(h) Interest Outstanding (d+e+h=i)	(i) Total Outstanding Balance
\$ _____	\$ _____	\$ _____

Refer to **Student Financial Aid Guidelines, Book Three - Fiscal Management**
for documentation requirements and guidance.

Below is a check list of items to show due diligence for an FCC loan determined uncollectible.

***** **SUBMIT PHOTOCOPIES ONLY** *****

1. Has loan been reviewed in accordance with the due diligence requirements and write-off procedures in the Student Financial Aid Guidelines, Book Three - Fiscal Management?
 Yes No (Do not submit)
2. Have you enclosed copy(ies) of the Promissory Note(s)?
 Yes No (Do not submit)
3. Have you enclosed a copy of the repayment schedule?
 Yes No
4. Have you enclosed entrance interview documentation (effective 9/23/85)?
 Yes No N/A
5. Have you enclosed exit interview documentation (effective 9/23/85)?
 Yes No N/A

6. Were deferrals or cancellations granted on this Loan?

- Yes Enclosed is/are approved form(s).
 No

7. Have you enclosed documentation of required contacts, including grace period (effective 9/23/85), deferment (effective 9/23/85), billing and follow-up? (Refer to the due diligence requirements and write-off procedures in the Student Financial Aid Guidelines, Book Three - Fiscal Management)

- Yes Enclosed is a copy of the billing agent's service agreement or school's billing procedures and its effective dates and evidence of required contacts as listed above for this borrower.
 Yes A copy of the billing agent's service agreement or school's billing procedures applicable to this loan has already been submitted with previous write-off requests. Enclosed are evidence of required contacts as listed above for this borrower.
 No (Do not submit)

8. (a) Was the borrower a skip?

- Yes Date classified as a skip: ___/___/___ Evidence of the skip is enclosed (i.e., return to sender correspondence). A copy of the school's written procedures followed in attempting to locate a borrower and evidence to document that those procedures were followed must be enclosed.
 No

(b) Was a commercial firm or collection agency used to locate this borrower?

- Yes Enclosed is a copy of the contract which states they perform skip tracing.
 No

9. Has the loan been referred to a commercial or inhouse collection agency?

- Yes Enclosed is a copy of the commercial agency's collection procedures, (and if used, the in-house written procedures), evidence of dates of referral, results of placement, and the date the account was returned.
 No

10. Was this loan litigated?

- Yes Enclosed is a copy of the judgement and further efforts taken after litigation to collect the loan.
 No

If you answered no to question 10, you must check one of the following:

- (a) The borrower filed bankruptcy and the loan was discharged through the bankruptcy proceedings, the following additional documentation is submitted: Notice of Creditors, Proof of Claim and Final Discharge.
 (b) Enclosed is a current third party statement (e.g., an attorney or collection agency) why litigation was not pursued (i.e., not cost-effective).

11. Was the loan reported to a Credit Bureau?

- Yes Enclosed is the date and supporting documentation.
 No

12. Have you included documentation of your semi-annual collection effort(s)?

- Yes
 No

13. I certify that the documentation provided is true, complete, and correct to the best of my knowledge.

Any person who knowingly makes a false statement or misrepresentation in the documentation is subject to penalties which may include fines and imprisonment under Federal statute.

Authorized Official's Signature

Date

Exhibit D Calculation of NSL Default Rate

For your convenience, an abbreviated borrower account worksheet and the formula for calculating the default rate are posted on the **INTERNET**. The address is:

www.hrsa.gov/bhpr/dsa/ratecalc.htm

Exhibit E Calculation of [HPSL or PCL] and LDS Default Rate(s)

For your convenience, an abbreviated borrower account worksheet and the formula for calculating the default rate are posted on the **INTERNET**. The address is:

www.hrsa.dhhs.gov/bhpr/dsa/ratecalc.htm

Exhibit F Closing Programs - Return of Excess Cash - Version 1

CALCULATION OF PRINCIPAL, INTEREST AND OTHER INCOME
DUE FEDERAL GOVERNMENT FROM COLLECTIONS
(Initial Recovery)

For use by those institutions newly in closing status and repaying the Federal Government for the first few times.

BASE DATA NEEDED

A. (Cumulative from the beginning of the program):

1.	Federal Funds Received.....	\$ _____
2.	Institutional Contributions Deposited.....	_____
3.	Transfers from Scholarship Fund.....	_____
4.	Transfers to Scholarship Fund.....	_____
5.	Interest Income Collected on Loans.....	_____
6.	Penalty Charges Collected on Loans.....	_____
7.	Investment Income.....	_____
8.	Institutional Repayment of Bad Debts, Interest.....	_____
9.	Institutional Repayment of Bad Debts, Penalty Charges.....	_____
10.	Collection Costs, Interest.....	_____
11.	Litigation Costs, Interest.....	_____
12.	Credit Bureau Fees.....	_____
13.	Other Costs.....	_____
14.	Total Other Income Previously Repaid to the Fed. Govt. (if any)*.....	_____
15.	Total Interest Previously Repaid to the Fed. Govt. (if any)*.....	_____

B. (Current period data)

1.	Cash Balance End of Period Covered By This Report.....	_____
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* For example, if associated with return of excess cash while in active status.

Using the BASE DATA items above:

Step 1: Calculate the Federal Government's percentage contributed to the Fund:

$$\text{Federal percentage (F\%)} = \frac{A.1 + A.3 - A.4}{A.1 + A.2 + A.3 - A.4}$$

Step 2: Calculate the total amount due the Federal Government:

$$\text{Total Amount Due Federal Government} = \text{F\%} \times \text{B.1}$$

Step 3: Calculate the portion of the Total Amount Due Federal Government which is Other Income:

$$\text{Other Income} = [\text{F\%} \times (\text{A.6} + \text{A.7} + \text{A.9})] - \text{A.14}$$

Step 4: Calculate the portion of the Total Amount Due Federal Government which should be interest:

$$\text{Interest} = [\text{F\%} \times (\text{A.5} + \text{A.8} - \text{A.10} - \text{A.11} - \text{A.12} - \text{A.13})] - \text{A.15}$$

Step 5: Calculate the portion of the Total Amount Due Federal Government which should be principal:

$$\text{Principal} = \text{Total Amount due Federal Government} \text{ minus} \\ \text{Interest minus Other Income}$$

NOTE: The Federal Government will always recover its proportionate share of any interest and other income collected (less its proportionate share of expenses) before any repayments are applied to principal. Once the initial interest amounts have been recovered, the work sheet at Exhibit I may be used to determine principal interest and other income repayments for each current period.

Exhibit G Closing Programs - Return of Excess Cash - Version 2

CALCULATION OF PRINCIPAL, INTEREST AND OTHER INCOME
DUE FEDERAL GOVERNMENT FROM COLLECTIONS

For use by those institutions that have been in closing status for awhile and have repaid the initial bulk of interest to the Federal Government.

BASE DATA NEEDED

- A. (Cumulative from the beginning of the program):
1. Federal Funds Received.....\$ _____
 2. Institutional Contributions Deposited..... _____
 3. Transfers from Scholarship Fund..... _____
 4. Transfers to Scholarship Fund..... _____
- B. (Current period data)
1. Loan Principal Collected..... _____
 2. Interest Income Collected on Loans..... _____
 3. Penalty Charges Collected on Loans..... _____
 4. Investment Income..... _____
 5. Institutional Repayment of Bad Debts, Principal..... _____
 6. Institutional Repayment of Bad Debts, Interest..... _____
 7. Institutional Repayment of Bad Debts, Penalty Charges..... _____
 8. Collection Costs, Principal..... _____
 9. Collection Costs, Interest..... _____
 10. Litigation Costs, Principal..... _____
 11. Litigation Costs, Interest..... _____
 12. Credit Bureau Fees..... _____
 13. Other Costs..... _____
 14. Cash Balance End of Period Covered by this Report..... _____

Using the BASE DATA items above:

Step 1: Calculate the Federal Government's percentage contributed to the Fund:

$$\text{Federal percentage (F\%)} = \frac{A.1 + A.3 - A.4}{A.1 + A.2 + A.3 - A.4}$$

Step 2: Calculate the total amount due the Federal Government:

$$\text{Total Amount Due Federal Government} = F\% \times B.14$$

Step 3: Calculate the portion of the Total Amount Due Federal Government which is Other Income:

$$\text{Other Income} = F\% \times (B.3 + B.4 + B.7)$$

Step 4: Calculate the portion of the Total Amount Due Federal Government which should be Interest:

$$\text{Interest} = F\% \times (B.2 + B.6 - B.9 - B.11 - B.12 - B.13)$$

Step 5: Calculate the portion of the Total Amount Due Federal Government which should be principal:

$$\text{Principal} = F\% \times (B.1 + B.5 - B.8 - B.10)$$

NOTE: The results of Step 3, Step 4 and Step 5 when added together, should equal the result of Step 2.

Exhibit H Certification Statement

Certificate Statement

(Sample)

Date

Institutional Representative

Dear _____:

This letter is to confirm due diligence and collection procedures testwork in our OMB Circular A-133 audit of the (your university) for the year ended June 30, 199_ for the following uncollectible accounts.

<u>Program</u>	<u>Discipline</u>	<u>Borrower</u>	<u>Principal</u>	<u>Interest</u>	<u>Penalty Charges</u>
HPSL	Dentistry	John Doe	\$1,000	\$ 200	\$ 50
PCL	Osteopathic	Sue Jones	\$2,000	\$ 500	\$ 25
LDS	Pharmacy	Jane Doe	\$1,500	\$ 200	\$ 55
NSL	Graduate	Sandy Jones	\$ 800	\$ 300	\$ 20

As we have previously discussed, our A-133 audit program now includes completing the DHHS Federal Capital Contribution (FCC) Loans Due Diligence Check List for these students participating in the Health Professions Student Loan Programs. This is to confirm that the results of our testwork of these accounts revealed no findings which will be included in our A-133 audit reports when issued.

The following accounts are disallowed based on our review:

<u>Program</u>	<u>Discipline</u>	<u>Borrower</u>	<u>Principal</u>	<u>Interest</u>	<u>Penalty Charges</u>
NSL	Diploma	John Jones	\$1,800	\$ 300	\$ 20
HPSL	Dentistry	Anne Doe	\$1,000	\$ 200	\$ 50

If you have any questions or comments, please feel free to call me.

Very truly yours,

Independent Audit Firm

Auditor Name

Title