

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Bureau of Health Professions

Health Resources and  
Services Administration  
Rockville MD 20857

OCT 19 1992

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

Subject: Recent Legislative Amendments  
HEAL School Policy Memorandum 31  
HEAL Lender Policy Memorandum 93-1  
Campus-Based Programs Policy Memorandum 18

President Bush signed Public Law (P.L.) 102-408, the Health Professions Education Extension Amendments of 1992, on October 13, 1992. This law amends the health professions student assistance programs and moves them, within Title VII of the Public Health Service (PHS) Act, to new parts, subparts, and section numbers. As a result, any previously existing documents which contain statutory references for the health professions programs are no longer correct. The nursing student assistance programs are also amended, but remain in the same parts, subparts, and sections of Title VIII of the PHS Act. The amendments made by P.L. 102-408, along with old and new parts, subparts, and section number references, are described below.

Program

Page

**Health Education Assistance Loan (REAL) Program**

1. Funding .....	2
2. Deferment .....	3
3. Frequency of interest compounding .....	3
4. School collection assistance .....	3
5. Student demographic data .....	3
6. Forbearance .....	4
7. Income-contingent repayment .....	4
8. Loan consolidation (PHS Act amendments) .....	4
9. Lender and holder performance standards .....	4
10. Offset of Federal reimbursement to defaulted borrowers .....	4
11. State court judgments .....	5
12. Inapplicability of Federal and State statute of limitations to HEAL loan collection .....	5
13. HEAL default rate formula .....	5
14. School eligibility .....	6
15. Insurance premiums .....	6
16. Actions required of schools with high default rates .....	7
17. Office for HEAL Default Reduction .....	8
18. Repeal of HEAL loan repayment authority .....	9
19. Authority for new regulations .....	9
20. Workshop for HEAL borrowers .....	9



<u>Program</u>	<u>Page</u>
21. Definition of an eligible lender .....	9
22. Special consolidated loan program (Amendment to the Higher Education Act of 1965) .....	10
<b>Health Professions Student Loan (HPSL) Program</b>	
1. Repeal of authority for loan repayment due to service in shortage areas .....	10
2. Primary Care Loan (PCL) program .....	10
3. Reallocation of funds returned to the Secretary .....	11
<b>Loans for Disadvantaged Students (LDS) Program</b> .....	11
<b>Exceptional Financial Need (EFN) Scholarship Program</b>	
1. School eligibility .....	11
2. Service obligation .....	11
3. Breach of service obligation .....	12
4. Waiver or suspension of liability .....	12
5. Repayment requirements .....	12
6. Amount of scholarship awards .....	12
7. Funding .....	13
<b>Scholarships for Disadvantaged Students (SDS) Program</b> .....	13
<b>Financial Assistance for Disadvantaged Health Professions Students (PADEPS) Program</b>	
1. Service obligation .....	13
2. Breach of service obligation .....	14
3. Waiver or suspension of liability .....	14
4. Repayment requirements .....	14
5. General program structure .....	14
6. Funding .....	14
<b>Nursing Student Loan (NSL) Program</b>	
1. Funds returned to the Secretary .....	15
2. Authority for continuation of NSL program .....	15
3. Authority for loan repayment for nursing service .....	15
<b>Scholarships for the Undergraduate Education of Professional Nurses (SUEPN) Program</b> .....	15
Recent amendments to the Higher Education Act of 1965 affecting health professions schools .....	15

### **Health Education Assistance Loan (HEAL ) Program**

The HEAL program is now found in Part A--Student Loans; Subpart I-Insured Health Education Assistance Loans to Graduate Students; Sections 701-720 of Title VII of the PHS Act. Amendments made to the HEAL program by P.L. 102-408 are as follows:

1. Funding (new section 702(a); old section 728(a))
  - o Authorizes the insurance of new loans at levels not to exceed \$350 million for Fiscal Year (FY) 1993, \$375 million for FY 1994, and \$425 million for FY 1995; and
  - o For FY 1996 through FY 1998, authorizes such sums as may be necessary to enable previous borrowers to complete their education.



These amendments make new borrowers eligible for HEAL loans effective October 13, 1992, the date of enactment of the law. Although the reauthorization bill authorizes a maximum of \$350 million in HEAL insurance authority for FY 1993, the actual level available for FY 1993 is \$340 million, in accordance with P.L. 102394, the FY 1993 appropriations bill for the Department of Health and Human Services.

2. Deferment (new section 705(a)(2)(C); old section 731(a)(2)(C))

- 0 Provides not in excess of 3 years of deferment of loan repayment for any borrower who has completed an accredited internship or residency training program in osteopathic general practice, family medicine, general internal medicine, preventive medicine, or general pediatrics and who is practicing primary care; and
- 0 Provides not in excess of 1 year of deferment of loan repayment for borrowers who are graduates of schools of chiropractic.

The new deferment provisions are in addition to previously existing deferment activities, and apply to any HEAL loan for which the promissory note is signed on or after October 13, 1992.

3. Frequency of interest compounding (new section 705 (a) (2) (D) ; old section 731(a)(2)(D))

- 0 Provides that interest on a HEAL loan shall be compounded not more frequently than annually (rather than semi-annually).

The change in frequency of compounding applies to any HEAL loan for which the promissory note is signed on or after October 13, 1992.

4. School collection assistance (new section 705(a)(2)(H); no comparable provision in previous law)

- 0 Authorizes any school or postgraduate training program attended by the borrower to assist in the collection of any HEAL loan that becomes delinquent, including providing information concerning the borrower to the Secretary and to past and present lenders and holders of the borrower's loans.

5. Student demographic data (new section 705(a)(3); no comparable provision in previous law)

- 0 Requires that, subject to the consent of the student and subject to applicable law, the lender obtain from the student applicant appropriate demographic information regarding the student, including racial or ethnic background.



6. Affect Of 2eriOds Of forbearance on length of repayment Period (new section 705(e); no comparable provision in previous law)

- o Requires that any period of forbearance granted to a HEAL borrower shall not be included in the 25-year loan repayment period.

This provision, which applies to any HEAL loan for which the promissory note is signed on or after October 13, 1992, effectively treats forbearance as a deferrable activity which interrupts, rather than shortens, the repayment period. However, the HEAL law continues to provide that the total period of a HEAL loan may not exceed 33 years from the date of execution of the promissory note.

7. Income-contingent repayment (new section 705(f); no comparable provision in previous law)

- o Requires lenders and holders to offer HEAL borrowers graduated loan repayment schedules that, during the first 5 years of repayment, are based on the borrower's debt-to-income ratio.

8. Loan consolidation (new section 706(e); old section 732(f))

- Allows a lender or holder, with the mutual agreement of the borrower, to consolidate all of the borrower's HEAL loans into a single new obligation under the terms applicable to an insured loan made at the same time as the consolidation;
- Requires the lender or holder to provide full information to the borrower concerning the advantages and disadvantages of loan consolidation; and
- Allows the borrower's HEAL loans to be included in a consolidated loan authorized by the Higher Education Act of 1965, but excludes the HEAL loans from eligibility for special allowance payments.

9. Lender and holder performance standards (new section 707(a); no comparable provision in previous law)

- o Requires the Secretary to establish performance standards for lenders and holders of HEAL loans, including fees to be imposed for failing to meet such standards, not later than one year after the date of enactment of P.L. 102-408.

10. Offset of Federal reimbursement to defaulted borrowers (new section 707(f); old section 733(f))

- o Requires (rather than permits) that the Secretary reduce Federal reimbursements or payments for health services under



any Federal law (e.g., Medicare) to borrowers who are practicing their professions and have defaulted on their HEAL loans, in amounts up to the remaining balance of the HEAL loans; and

- o Requires that any funds recovered under this provision be deposited in the HEAL Student Loan Insurance Fund (SLIF).

11. State court judgments (new section 707 (h) (3); no comparable provision in previous law)

- o Authorizes any United States attorney to register a State court judgment, obtained by a lender or holder against a defaulted HEAL borrower, with the Federal courts for enforcement.

12. Inapplicability of Federal and State statute of limitations to HEAL loan collection (new section 707(i); no comparable provision in previous law)

- o Exempts HEAL loans from any Federal or State laws which limit the period within which suit may be filed, a judgment may be enforced, or an offset, garnishment, or other action may be initiated or taken by a Federal agency, to collect the amount due on a HEAL loan assigned to the Secretary for collection.

13. HEAL default rate formula (new section 719(5); no comparable provision in previous law)

- o Defines "default rate," for purposes of each HEAL entity (i.e., school, lender, or holder), as the percentage constituted by the ratio of:
  - (1) The total principal amount of HEAL loans made with respect to the entity that enter repayment status after April 7, 1987, and for which claims have been paid due to default or bankruptcy, exclusive of any HEAL claims:
    - (a) for which the borrower has made payments to the Secretary for 12 consecutive months in accordance with a repayment agreement; and
    - (b) which have been discharged due to bankruptcy; to
  - (2) The total principal amount of HEAL loans made with respect to the entity that enter repayment status after April 7, 1987.
- o For purposes of determining an entity's default rate, a HEAL loan is considered to have entered repayment status at the point that the grace period expires, even if the borrower qualifies for subsequent deferments in accordance with section 705(a)(2)(C).
- o For purposes of determining an entity's default rate, a loan is made with respect to the entity if:
  - (1) In the case of a school, the loan was made to a student



- of the school for a period of enrollment (or expected enrollment) at that school;
- (2) In the case of a lender, the loan was made by the lender; and
- (3) In the case of a holder, the loan was purchased by the holder.

The Department will use the above formula to calculate HEAL default rates for schools, lenders, and holders as of September 30, 1992, and annually thereafter. The Department is in the process of calculating these rates for schools as of September 30, 1992, and will be providing each school with its default rate in mid-November. The September 30 default rates will be used effective January 1, 1993, and annually thereafter, to determine school eligibility in accordance with item 14 below; and to determine risk categories for borrower and school insurance premium rates in accordance with item 15 below. The same formula will be used to determine lender and holder compliance with performance standards that are to be developed in accordance with item 9 above.

14. School eligibility (new section 708(b)(4) and (d); no comparable provision in previous law)

0 Effective January 1, 1993, any school with a HEAL default rate in excess of 20 percent becomes ineligible for the HEAL program. However, historically black colleges and universities (HBCUs) with HEAL default rates in excess of 20 percent may continue to participate in the HEAL program until October 13, 1995, and will be placed in the high-risk category described in item 15 below for purposes of determining the insurance premium rate for the school and its students;

0 Requires the Secretary to afford a school not less than 1 hearing, and allows the consideration of mitigating circumstances, prior to making the school ineligible for the HEAL program due to a high default rate;

0 Authorizes the Secretary to grant a waiver if the Secretary determines that the default rate for the school is not an accurate indicator because the volume of HEAL loans made by the school has been insufficient; and

0 Permits a school to pay off the outstanding principal and interest owed by borrowers who have defaulted on HEAL loans in order to maintain HEAL eligibility or reduce the risk category of the school, as described in item 15 below.

Any school that would like to request a hearing prior to being made ineligible for the HEAL program will be afforded that opportunity at the time it is notified of its default rate.

15. Insurance Premiums (new section 708; old section 732(c))



- 0 Maintains an 8 percent insurance premium through December 31, 1992;
- 0 Requires that, effective January 1, 1993, the Secretary assess risk-based insurance premiums in accordance with the following procedures:
  - (1) Low-risk rate: Any borrower attending a school with a HEAL default rate of 5 percent or less shall pay a risk-based premium equal to 6 percent of the principal amount of the loan.
  - (2) Medium-risk rate: Any borrower attending a school with a HEAL default rate greater than 5 percent, but less than or equal to 10 percent, shall pay a risk-based premium equal to 8 percent of the principal amount of the loan. In addition, the school shall be assessed a risk-based premium equal to 5 percent of the principal amount of the loan.
  - (3) High-risk rate: Any borrower attending a school with a HEAL default rate greater than 10 percent, but less than or equal to 20 percent, shall pay a risk-based premium equal to 8 percent of the principal amount of the loan. In addition, the school shall be assessed a risk-based premium equal to 10 percent of the principal amount of the loan.
- 0 Requires the lender to reduce the risk-based premium to an eligible borrower by 50 percent if a credit worthy parent or other responsible party co-signs the promissory note. This provision has no affect on the amount of the school's premium; and
- 0 Authorizes the Secretary to grant a waiver of the medium-risk or high-risk rates if the Secretary determines that the default rate for the school is not an accurate indicator because the volume of HEAL loans made by the school has been insufficient.

Each school's initial risk category will be determined based on its September 30, 1992 default rate. This risk category will apply to the school from January 1, 1993 through December 31, 1993. Any changes in risk category, based on September 30, 1993 default rates, will become effective January 1, 1994, and will apply to the school through December 31, 1994. These time frames are necessary to allow the Department to calculate default rates and notify each school of its rate before the rate impacts on the school's HEAL activity.

16. Actions required of schools with high default rates (new section 708; no comparable provision in previous law)

- 0 Requires any school with a default rate greater than 5 percent but less than or equal to 20 percent to prepare and submit to the Secretary for approval, an annual default management plan.



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, among other things, provide an exit interview to all borrowers that includes information concerning repayment schedules, loan deferments, forbearance, and the consequences of default. This requirement also applies to any historically black college or university with a default rate greater than 20 percent which continues to participate in the HEAL program during the 3-year transitional period provided in section 708 (d)(3); and

- 0 Authorizes the Secretary to grant a waiver of this requirement if the Secretary determines that the default rate for the school is not an accurate indicator. Because the volume of HEAL loans made by the school has been insufficient.

17. Office for HEAL Default Reduction (new section 709; no comparable provision in previous law)

- 0 Requires the Secretary to establish, within the Division of Student Assistance, an Office for HEAL Default Reduction, with the purpose of achieving a reduction in the number and amount of HEAL defaults. In carrying out this purpose, the Office shall:
  - (1) Conduct analytical and evaluative studies concerning loans and loan defaults;
  - (2) Carry out activities designed to reduce loan defaults;
  - (3) Respond to special circumstances that may exist in the financial lending environment that may lead to loan defaults;
  - (4) Coordinate with other Federal entities that are involved with student loan programs including--
    - (a) With respect to the Department of Education, in the development of a single student loan application form, a single student loan deferment form, a single disability form, and a central student loan data base; and
    - (b) With respect to the Department of Justice, in the recovery of payments from health professionals who have defaulted on HEAL loans;
  - (5) Provide technical assistance to borrowers, lenders, holders, and institutions concerning deferments and collection activities;
  - (6) Prepare and submit a report not later than March 31, 1993, and annually thereafter, to the Congress concerning the default rate for each HEAL school, lender, and holder; the amounts recovered by the Department on defaulted loans; and a plan for improving the Department's recoveries on defaulted loans; and
  - (7) Compile and publish in the Federal Register a list of borrowers who are in default on their HEAL loans and send the listing to relevant Federal agencies, schools, school associations, professional and specialty associations, State



licensing boards, hospitals with which such borrowers may be associated, and any other relevant organizations.

18. Repeal of HEAL loan repayment authority (no provision in new law; old section 735(c))

- 0 Repeals the authority for the Secretary to enter an agreement to repay a portion of a HEAL loan in exchange for service in a health professions shortage area. (This authority has never been funded and is separate from the loan repayment program administered by the Bureau of Primary Health Care.)

19. Authority for new regulations (new section 715(a); old section 739(a))

- 0 Authorizes the Secretary to prescribe regulations as may be necessary to provide for:
  - (1) The assessing of tuition and fees to HEAL borrowers in amounts that are the same or less than the amount of tuition and fees assessed to non-borrowers;
  - (2) The submission by the school, lender, or holder to the Office of HEAL Default Reduction of information concerning each HEAL loan made, including the date when each loan was originated, the date when each loan is sold, the identity of the loan holder, and information concerning a change in the borrower's status;
  - (3) The withholding of services, including academic transcripts, financial aid transcripts, and alumni services, by a school from a defaulted HEAL borrower, except in the case of a borrower who has filed for bankruptcy; and
  - (4) The offering by the lender or holder to the borrower of a variety of repayment options, including fixed-rate, graduated repayment with negative amortization permitted, and income dependent payments for a limited period followed by level monthly payments.

20. Workshop for HEAL borrowers (new section 715 (c); no comparable provision in previous law)

- 0 Requires each school to have, at the beginning of each academic year, a workshop concerning HEAL loan provisions that all HEAL borrowers must be required to attend.

21. Definition of an eligible lender (new section 719; old section 737)

- 0 Amends the definition of an eligible lender to include any school that became a lender under the HEAL program prior to September 15, 1992. (Previously, the law allowed any eligible HEAL school to apply to be a HEAL lender.)

This amendment precludes schools that are not currently HEAL



lenders from applying to become lenders in the future.

22. Special consolidated loan Program (new section 428C(d) of the Higher Education Act of 1965)

- o Amends the Higher Education Act of 1965 to add a new special program authorizing consolidated loans which, in addition to including loans previously eligible for consolidation, may also include HEAL loans. Among the provisions of the program are prohibitions against the payment of special allowances or interest subsidies on the HEAL portion of the consolidated loan, and procedures for determining the maximum interest rate for such loans.

The new consolidated loan authority is effective 60 days after the date of enactment of P.L. 102-408. Since this program is part of the Higher Education Act of 1965, and involves the consolidation of HEAL loans with Department of Education (ED) loans, schools should contact ED officials for further information on its implementation.

**Health Professions Student Loan (HPSL) Program**

The HPSL program is now found in Part A—Student Loans; Subpart II—Federally Supported Student Loan Funds; Sections 721-735 of Title VII of the PHS Act. Amendments made to the HPSL program by P.L. 102-408 are as follows:

1. Repeal of authority for loan repayment due to service in shortage areas (no provision in new law; old section 741(f))

- o Repeals the authority for the Secretary to enter an agreement to repay a portion of an HPSL loan in exchange for service in a health professions shortage area. (This authority has not been funded since 1979, and is separate from the loan repayment program administered by the Bureau of Primary Health Care.)

2. Primary Care Loan (PCL) program (new section 723; no comparable provision in previous law)

- o Establishes new requirements for the use of HPSL funds at medical and osteopathic medical schools, effective July 1, 1993, which: (1) Restrict medical and osteopathic medical HPSL funds to students who plan to practice primary care; and (2) provide for a gradual redistribution of medical and osteopathic HPSL funds to schools which demonstrate a commitment to training primary care practitioners.

Further information on these requirements will be provided in a separate policy memorandum. However, schools should note that the requirements associated with the PCL program affect only schools



of medicine and osteopathic medicine; they do not apply to any other HPSL disciplines.

3. **Reallocation of funds returned to the Secretary** (new section 735(e); old section 742(b)(5))

- Repeals the requirement that funds returned to the Secretary be allocated only to schools that entered the HPSL program between July 1, 1972 and September 30, 1985.
- Requires that any HPSL funds returned to the Secretary prior to July 1 in any fiscal year must be awarded to schools between July 1 and September 30 of that same fiscal year. HPSL funds returned to the Secretary between July 1 and September 30 of any fiscal year must be awarded to schools in the next fiscal year.
- Requires that, in reallocating HPSL funds returned to the Secretary, the Secretary must give preference to health professions schools of the same disciplines as the schools returning the funds.

**Loans for Disadvantaged Students (LDS) Program**

The LDS program is now found in Part A--Student Loans; Subpart II--Federally Supported Student Loan Funds; Section 724 of Title VII of the PHS Act. P.L. 102-408 did not make any amendments to the LDS program, which continues to be authorized through FY 1993. P.L. 102-394, the FY 1993 appropriations bill for the Department, provides \$7.9 million for the LDS program for FY 1993.

**Exceptional Financial Need (EFN) Scholarship Program**

The EFN Scholarship program is now found in Part B, Section 736 of Title VII of the PHS Act. The amendments to the EFN Scholarship program, as described below, will apply to funds awarded to schools in FY 1993 for use during Academic Year 1993-94. FY 1992 funds, which have already been awarded to schools for use during Academic Year 1992-93, are not affected by these amendments.

1. **School eligibility** (new section 736(a); old section 758(a))

0 Limits eligibility for scholarship grants to schools of medicine, osteopathic medicine, and dentistry.

Under this provision, schools of veterinary medicine, optometry, pharmacy, and podiatric medicine are no longer eligible to participate in the EFN Scholarship program.

2. **Service obligation** (new section 795 (a); no comparable provision in previous law)



- o Requires each scholarship recipient to agree as follows:
    - (1) To complete the program of education for which the scholarship funds are received;
    - (2) In the case of an individual attending a school of medicine or osteopathic medicine, to:
      - (a) Enter and complete a residency training program in primary health care not later than 4 years after completing the program of education for which the scholarship funds are received; and
      - (b) Practice in primary health care for 5 years after completing the residency training program; and
    - (3) In the case of an individual attending a school of dentistry, to practice in general dentistry for 5 years (exclusive of any period during which the individual is attending a residency training program in general dentistry).
3. Breach of service obligation (new section 795(b)(1); no comparable provision in previous law)
- o Requires a scholarship recipient to repay to the Federal Government the amount of the scholarship award, plus interest on such amount at the maximum legal prevailing rate, if the individual:
    - (1) Fails to maintain an acceptable level of academic standing in the program of education for which the scholarship was received, as indicated by the program in accordance with requirements established by the Secretary;
    - (2) Is dismissed from the program for disciplinary reasons; (3) Voluntarily terminates the program; or
    - (4) Fails to comply with the terms of the agreement entered into regarding training and service in primary health care or general dentistry.
4. Waiver or suspension of liability (new section 795(b)(2); no comparable provision in previous law)
- o Requires the Secretary to provide for the waiver or suspension of liability for failure to fulfill the service obligation if compliance by the individual with the agreement is impossible or would involve extreme hardship to the individual and if enforcement of the agreement would be unconscionable.
5. Repayment requirements (new section 795 (b) (3); no comparable provision in previous law)
- o Requires that any amount the Federal Government is entitled to recover must be repaid by the scholarship recipient not later than 3 years after the date on which the individual breaches the agreement.
6. Amount of scholarship awards (new section 736 (b) (2); old section 758(b)(2))



- 0 Requires that any EFN scholarship provided to a student must consist of an amount equal to tuition and all other reasonable educational expenses, including fees, books, and laboratory expenses, incurred by the student in such year.

Under this provision, schools will no longer have discretion in determining the amount of each student's EFN scholarship award, and will no longer be permitted to use EFN scholarship funds to cover living costs. Effective with the awarding of FY 1993 funding, each EFN scholarship must cover the specific costs cited above. The EFN scholarship becomes essentially a full scholarship minus living expenses.

7. Funding (new section 736(c); old section 758(d))

- 0 Authorizes \$11 million for EFN Scholarships for Fiscal Year 1993.

P.L. 102-394, the FY 1993 appropriations bill, provides \$10.4 million for the EFN Scholarship program for FY 1993.

**Scholarships for Disadvantaged Students (SDS) Program** (new section 737; old section 760)

The SDS program is now found in Part B, Section 737 of Title VII of the PHS Act. The SDS program was not amended by P.L. 102-408, and continues to be authorized through FY 1993. P.L. 102-394, the FY 1993 appropriations bill, provides \$17.1 million for the SDS program for FY 1993.

**Financial Assistance for Disadvantaged Health Professions Students (PADHPB) Program** (new section 740; old section 787)

The FADHPS program is now found in Part B, Section 740 of Title VII of the PHS Act. The amendments to the FADHPS program, as described below, will apply to funds awarded to schools in FY 1993 for use during Academic Year 1993-94. FY 1992 funds, which have already been awarded to schools for use during Academic Year 1992-93, are not affected by these amendments.

1. Service obligation (new section 795(a); no comparable provision in previous law)

- 0 Requires each scholarship recipient to agree as follows:
  - (1) To complete the program of education for which the scholarship funds are received;
  - (2) In the case of an individual attending a school of medicine or osteopathic medicine, to:
    - (a) Enter and complete a residency training program in primary health care not later than 4 years after completing the program of education for which the



- scholarship funds are received; and
- (b) Practice in primary health care for 5 years after completing the residency training program; and
- (3) In the case of an individual attending a school of dentistry, to practice in general dentistry for 5 years (exclusive of any period during which the individual is attending a residency training program in general dentistry) .

2. Breach of service obligation (new section 795(b)(1); no comparable provision in previous law)

- o Requires a scholarship recipient to repay to the Federal Government the amount of the scholarship award, plus interest on such amount at the maximum legal prevailing rate, if the individual:
  - (1) Fails to maintain an acceptable level of academic standing in the program of education for which the scholarship was received, as indicated by the program in accordance with requirements established by the Secretary;
  - (2) Is dismissed from the program for disciplinary reasons; (3) Voluntarily terminates the program; or
  - (4) Fails to comply with the terms of the agreement entered into regarding training and service in primary health care or general dentistry.

3. Waiver or suspension of liability (new section 795 (b) (2); no comparable provision in previous law)

- o Requires the Secretary to provide for the waiver or suspension of liability for failure to fulfill the service obligation if compliance by the individual with the agreement is impossible or would involve extreme hardship to the individual and if enforcement of the agreement would be unconscionable.

4. Repayment requirements (new section 795 (b) (3); no comparable provision in previous law)

- o Requires that any amount the Federal Government is entitled to recover must be repaid by the scholarship recipient not later than 3 years after the date on which the individual breaches the agreement.

5. General program structure (new section 740(d) (2) (B); old section 787(c))

- o Requires that FADHPS scholarships be administered and awarded in the same manner and subject to the same requirements as EFN scholarships.

6. Funding

P.L. 102-394, the FY 1993 appropriations bill, provides \$6.3



million for the FADHPS program for FY 1993.

### **Nursing Student Loan (NSL) program**

#### 1. Funds returned to the Secretary (section 838(a)(3))

- 0 Requires that any NSL funds returned to the Secretary shall be available until expended, for allotment to schools eligible to receive NSL funds.
- 0 Repeals the requirement that, in awarding returned funds, the Secretary must give priority to any school that established an NSL fund after September 30, 1985.

#### 2. Authority for continuation of NSL Program (section 839)

- 0 Changes from September 30, 1991, to September 30, 1996, the date after which the distribution of assets (i.e., the return of the Federal share of school loan funds to the Federal Government) under the NSL program would begin.

#### 3. Authority for loan repayment for nursing service (old section 836(h))

- 0 Transfers the authority for the Secretary to enter an agreement to repay a portion of educational loans, for nursing students who agree to practice in specified shortage situations, from old section 836(h) to new section 846. (This program is administered by the Bureau of Primary Health Care.)

### **Scholarships for the Undergraduate Education of Professional Nurses (SUEPN) Program** (old section 843)

The authority for the SUEPN program, which provided grants to nursing schools for service-conditional scholarships to financially needy students, has not been extended. No funds will be available for this program in FY 1993.

### **Recent amendments to the Higher Education Act of 1965 affecting health Professions schools**

The Higher Education Amendments of 1992 made changes to the need analysis system which have caused concern among schools participating in the health professions programs. Specifically, there has been confusion as to whether schools will continue to have access to parents' financial information for graduate health professions students, as is required for the campus-based health professions programs. Please be assured that we have been working with ED officials on this issue, and we expect the Federal need analysis form for Academic Year 1993-94 to allow for the collection of parents' financial information from health professions students. However, ED will not be able to process parents' financial data for



graduate students as part of its need analysis calculations. Accordingly, health professions schools will be responsible for processing this data themselves or through a servicer. To assist schools with this task, ED has indicated a willingness to make available software or mainframe instructions for processing the data. Further information on this issue will be provided as it becomes available.

For a copy of the Health Professions Education Extension Amendments of 1992, you should contact the Government Printing Office, Washington, D.C. 20402, or look in the Congressional Record of September 29, 1992 (available in many libraries) for H.R. 3508.

In order to assist us in providing schools and lenders with additional clarification as needed on the provisions of P.L. 102408, we are requesting that you identify and submit to us in writing any questions, issues, or concerns that you may have related to the reauthorization provisions. These should be submitted to my attention at the following address: Division of Student Assistance, Room 8-48, 5600 Fishers Lane, Rockville, Maryland 20857. Thanks for your assistance.

Michael Henningburg  
Director  
Division of Student Assistance