

Student Loan Programs Authorized by the Public Health Service Act: An Overview

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The Public Health Service Act authorizes several student loan programs that support health workforce development. The Department of Health and Human Services (HHS), through the Health Resources and Services Administration (HRSA), administers five active student loan programs:

- **Health Professions Student Loans:** available to individuals who are studying dentistry, optometry, pharmacy, podiatric, or veterinary medicine.
- **Loans for Disadvantaged Students:** available to individuals from disadvantaged backgrounds who are pursuing degrees in dentistry, optometry, pharmacy, allopathic, osteopathic, or veterinary medicine.
- **Primary Care Loans:** available to individuals who are studying allopathic or osteopathic medicine.
- **Nursing Student Loans:** available to individuals who are studying for an associate's, bachelor's, or graduate degree in nursing.
- **Nurse Faculty Loan Program:** available to graduate-level nurses who are interested in becoming nurse faculty. These loans are partially cancelled in exchange for serving as nurse faculty.

The first four of these programs are operated as revolving loan funds, while the Nurse Faculty Loan Program, which includes a loan cancellation benefit, does not. As of July 31, 2019, approximately 81,800 of these loans, together totaling approximately \$900 million, were outstanding.

Under these programs, institutions make loans directly to students using a combination of federal and institutional funds. Student eligibility criteria and loan terms and conditions are generally prescribed in statute and regulations. Although HRSA oversees the overall operation of the programs, institutions are responsible for the day-to-day administration of the programs, including loan servicing and collection activities, which are guided by statutory and regulatory requirements.

A sixth program—the Health Education Assistance Loan (HEAL) Program—previously made loans available to eligible graduate students in schools of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, public health, pharmacy, and chiropractic medicine, or in programs in health administration and clinical psychology. Congress terminated the authority to make new HEAL Program loans after September 30, 1998, but many program loans remain outstanding, and the federal government remains responsible for administering the program. HHS originally administered the program, but the Consolidated Appropriations Act, 2014 (P.L. 113-76), transferred administration of the program to the Department of Education. As of November 15, 2017, HEAL program loans totaling approximately \$187 million, borrowed by 11,390 individuals, were outstanding.

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The Public Health Service Act (PHSA, 42 U.S.C. §§201 et. seq.) authorizes five student loan programs administered by the Department of Health and Human Services (HHS) through the Health Resources and Services Administration (HRSA): (1) Health Professions Student Loans, (2) Loans for Disadvantaged Students, (3) Primary Care Loans, (4) Nursing Student Loans, and the (5) Nurse Faculty Loan Program. These programs aim to, among other purposes, assist students who are from low-income backgrounds with the costs of attending health professional schools, to diversify the health workforce, and to increase the number of primary care physicians. As of July 31, 2019, approximately 81,800 HRSA loans, totaling \$900 million, were outstanding.¹

Today, most federal student loans are made through the William D. Ford Direct Loan program, which is authorized under Title IV of the Higher Education Act of 1965 (HEA; P.L. 89-329, as amended) and administered by the Department of Education (ED).² As of September 30, 2020, approximately \$1.3 trillion in Direct Loan program loans, borrowed by or on behalf of 36 million individuals, were outstanding.³ Though HRSA's programs are relatively small in the larger context of federal student loans, they offer targeted assistance to health professional trainees and may provide incentives that differ from other loan programs (e.g., the ability to delay loan repayment during required clinical training, such as internship and residency).

This report describes PHSA student loan programs, including borrower eligibility requirements, loan terms and conditions, and administrative rules. It also briefly describes the Health Education Assistance Loan (HEAL) program, a related student loan program authorized under the PHSA that was previously administered by HRSA and is now administered by ED. The report concludes with a table comparing these programs by borrower type, repayment terms, the number of participating schools, and the number and financial amount of outstanding loans.

Loan Program Overview

PHSA Titles VII and VIII authorize six student loan programs to help health profession students finance the cost of their education. Five of these programs—hereinafter referred to as *active PHSA student loan programs*—currently make loans available to borrowers and are administered by HHS's HRSA. These programs provide loans to target-specific health professions and generally require that participants come from low-income or disadvantaged backgrounds.⁴ The active PHSA student loan programs are as follows:

- **Health Professions Student Loans (HPSL):** available to individuals who are studying dentistry, optometry, pharmacy, podiatric, or veterinary medicine.

¹ CRS Communication with U.S. Department of Health and Human Service, Health Resources and Services Administration staff, June 4, 2020, and July 14, 2020.

² For additional information on the Direct Loan program, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*. In addition, two other federal student loan programs are authorized under Title IV of the HEA: the Federal Family Education Loan program and the Perkins Loan program. Loans are no longer being made under these programs, but borrowers remain responsible for making payments on outstanding loans made under the programs. The Direct Loan program makes up the majority of ED's student loan portfolio—approximately 83% in terms of dollars outstanding and recipients.

³ Department of Education, Federal Student Aid, Federal Student Aid Data Center, "Federal Student Aid Portfolio Summary," FY2020, Q4, <https://studentaid.gov/sites/default/files/fsawg/datacenter/library/PortfolioSummary.xls>.

⁴ For more information about school-based loan programs administered by the Department of Health and Human Service (HHS), see HHS, Health Resources and Services Administration (HRSA), "School-Based Loans and Scholarships," <https://bhwh.hrsa.gov/loans-scholarships/school-based-loans>. For information about HRSA's Nurse Faculty Loan Program, see HRSA, "Nurse Faculty Loan Program (NFLP) Administrative Guidelines" <https://www.hrsa.gov/sites/default/files/hrsa/grants/faqs/NFLP-admin-guidelines-2017.pdf>.

- **Loans for Disadvantaged Students (LDS):** available to individuals from disadvantaged backgrounds (as defined by the program) who are pursuing degrees in dentistry, optometry, pharmacy, allopathic, osteopathic, or veterinary medicine.
- **Primary Care Loans (PCL):** available to individuals who are studying allopathic or osteopathic medicine.
- **Nursing Student Loans (NSL):** available to individuals who are studying for an associate's, bachelor's, or graduate degree in nursing.
- **Nurse Faculty Loan Program (NFLP):** available to individuals who are post baccalaureate nursing students and who are interested in becoming nurse faculty. These loans are partially cancelled in exchange for serving as nurse faculty.

As of July 31, 2019, approximately 81,800 of these loans, totaling \$900 million, were outstanding.⁵

The sixth program—the Health Education Assistance Loan (HEAL) Program—made loans available to eligible graduate students in schools of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, public health, pharmacy, and chiropractic, or in programs in health administration and clinical psychology. Although Congress terminated the authority to make new HEAL Program loans after September 30, 1998,⁶ many HEAL program loans remain outstanding, and the federal government remains responsible for administering the program. HHS originally administered the HEAL program, but the Consolidated Appropriations Act, 2014 (P.L. 113-76), transferred administration of the program to ED. As of November 15, 2017, HEAL program loans totaling approximately \$187 million, owed by 11,390 individuals, were outstanding.⁷

Active PHSA Loan Programs

As described above, there are five active PHSA Loan programs (i.e., those that currently make loans available to students): the HPSL, LDS, PCL, and NSL programs, and the NFLP. School and student eligibility requirements for all five programs share many attributes, so those requirements are discussed together below. Loan terms and conditions for four of the programs—HPSL, LDS, PCL, and NSL—are also similar. In addition, all four programs are operated as revolving loan funds. Therefore those programs' structures and loan terms and conditions are discussed collectively below. NFLP terms and conditions are discussed separately, because the intent of the program is to provide loan cancellation benefits to borrowers following a borrower's completion of service requirements; thus its loan terms and conditions vary somewhat from the other four programs. (The terms and conditions for this program appear in the “Nurse Faculty Loan Program (NFLP) Loan Terms and Conditions” text box below.)

For each of the active PHSA loan programs, the PHSA authorizes the allocation of federal funds (known as a federal capital contribution, or FCC) to eligible institutions to help them capitalize funds to make loans to students pursuing health profession education. For initial participation in the programs, institutions were required to contribute a matching institutional capital contribution (ICC) equal to at least one-ninth of the FCC. With the exception of the NFLP, which holds

⁵ CRS Communication with U.S. Department of Health and Human Service, Health Resources and Services Administration staff, June 4, 2020, and July 14, 2020.

⁶ 42 U.S.C. §292a(a).

⁷ U.S. Department of Education, “Health Education Assistance Loan (HEAL) Program,” 82 *Federal Register* 53377, November 15, 2017.

periodic competitions for grant funds, institutions participating in each of the active PHSA loan programs provide new loans to students that are capitalized with funds repaid by students who previously had borrowed loans made using FCC funds received in prior years and matching ICC funds. Specifically, in the HPSL, PCL, and NSL programs, FCCs were last awarded in FY1983 and some funds were reallocated in 1986 from schools that returned their FCCs to HHS. For the LDS program, Congress repealed the authorization of appropriations for program funds effective October 1, 2002, but schools with existing loan funds continue to make new loans to students with amounts repaid from prior loans.⁸

Initially, the FCCs had been allocated using established regulatory criteria generally based on (1) the amount requested by the institutions, (2) HRSA's determination of the reasonableness of this request, and (3) available funding. Today, institutions recapitalize their loan funds by depositing the principal and interest repaid by borrowers, which enables institutions to make new loans to new borrowers.

Institutions make loans directly to students. Student eligibility criteria and loan terms and conditions are generally prescribed in statute and regulations. Although HRSA oversees the overall operation of the programs, institutions (i.e., schools) are responsible for the day-to-day administration of the programs, including loan servicing and collection activities, which are guided by statutory and regulatory requirements. In addition, institutions must engage in other required administrative activities, such as conducting entrance and exit interviews with borrowers.⁹

Truth in Lending Act Requirements

Among other requirements, the Truth in Lending Act (TILA) requires that certain lenders of private education loans disclose to borrowers a variety of information related to such loans at various points in the lending relationship (e.g., contemporaneously with the consummation of a loan). In general, for purposes of TILA, a *private education loan* is a loan not made under Higher Education Act of 1965 (HEA), Title IV; thus, TILA disclosure requirements apply to schools that make loans under the various active PHSA loan programs and to HEAL program lenders (discussed below). Among other items, a lender must disclose

- the “amount financed” (i.e., the amount borrowed);
- the “finance charge,” “annual percentage rate,” and “total of payments” and a brief description of each term;
- the number, amounts, and timing of payments scheduled to repay the obligation;
- information about penalty charges that may be imposed for late payment; and
- a statement that the borrower should refer to the promissory note for information about nonpayment, default, the right to accelerate the maturity of the obligation, and prepayment.

Sources: 15 U.S.C. §§1601-1651 and 12 C.F.R. §1026.18.

School Eligibility for Program Participation

In general, the school eligibility criteria for each of the PHSA student loan programs are similar; however, criteria that advance program-specific goals differ from program to program. Although no new funding is being awarded to establish PHSA loan programs, participating schools must still meet program criteria.

⁸ P.L. 105-392, §132.

⁹ During these interviews, schools must provide borrowers with information about their rights and responsibilities with respect to the loans, such as information on repayment plans, loan deferments, and the consequences of default. See, for example, 42 C.F.R. §57.210(b)(1).

For all active the PHSA loan programs,¹⁰ eligible schools are public or private nonprofit institutions located in a state.¹¹ Foreign institutions are not eligible for PHSA student loan programs. Eligible schools must offer the relevant degree for the loan program in which they seek to participate (e.g., it must be an allopathic or osteopathic medical school to participate in the PCL program). Schools must be accredited by the relevant accrediting organizations for the discipline for which they are offering a degree in (e.g., allopathic medical schools must be accredited by the Liaison Committee on Medical Education).¹²

In addition, schools must enter into a written agreement with the HHS Secretary in which the institution agrees to a variety of program conditions, including that the institution will establish and maintain a student loan fund, that the fund will be used only to make student loans to eligible borrowers or for the administrative costs associated with collections, that the institution will inform borrowers of the loan terms and conditions, and that the institution will submit an annual operating report that describes the fund's uses.

Each active PHSA loan program requires that a participating school's default rate for the program may not exceed 5%. The formula to calculate the default rate is shown in the text box below.¹³ (For additional information, see "Default" section.)

School Default Rate

Defaulted principal amount outstanding
divided by
Matured loans

Notes: *Defaulted principal amount outstanding* means the total amount ever borrowed from a school's loan fund that has entered repayment (but excluding any principal amount that has been repaid or cancelled) and that has been in a default (i.e., a borrower has failed to make a payment when due or otherwise failed to comply with the terms for the loans promissory note) for at least 120 days. *Matured loans* means the total principal amount of loans ever made by a school, excluding the total principal amount of loans made by a school to students who are enrolled in a full-time course of study at the school or who are in their grace period.

In general, schools that exceed the 5% threshold must reduce their default rate by 50% by the close of the following six-month period.¹⁴ After the six-month period, schools that still exceed the 5% threshold must reduce the default rate by 50% for each six-month period that it exceeds 5% until the rate reaches 5%. Generally, schools that fail to meet these standards may not receive new program funding. However, in recent years this has not served as much of a sanction because, with the exception of the NFLP, PHSA loan programs are not awarding new funding to schools. Schools that do not meet the default rate standards are prohibited from making new loans and are

¹⁰ Specific statutory sections are PHSA Section 799 (42 U.S.C. §295o-1), which sets criteria for eligible institutions; Section 721 (42 U.S.C. §292q), which lays out provisions for the loan fund agreements and the conditions that schools must agree when administering the fund; and Section 835 (42 U.S.C. §297a), which specifies criteria for the Nursing Student Loan program.

¹¹ The term *state* includes District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands, Guam, American Samoa, and the Republic of Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia. 42 C.F.R. §§57.202 and 57.302.

¹² For additional information on accreditation, see CRS Report R43826, *An Overview of Accreditation of Higher Education in the United States*.

¹³ HHS, HRSA, "Application to Participate in the Health Professions Student Loans (HPSL) Program" <https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/hpsl-application.pdf>, p. 6.

¹⁴ Schools with a default rate above 5%, but below 10%, must reduce the default rate to the 5% threshold within six months.

required to maintain existing funds, and any funds received, in an interest-bearing account. Schools that do not meet the default rate standards may be subject to termination from the program, which would terminate their ability to make new loans and would require them to return FCC funds to the federal government.¹⁵

Schools that administer PCL and LDS funds must meet additional criteria beyond general program eligibility. To be eligible for PCL program funds, schools must meet one of several specified criteria demonstrating that the school has a record of students practicing primary care.¹⁶ Schools that do not comply with these criteria are subject to penalties requiring them to return a portion of their PCL fund incomes. Schools participating in the LDS program must meet specified criteria demonstrating a record of recruiting and retaining disadvantaged students and minority faculty, providing instruction on minority health issues, having arrangements with clinics that serve individuals from disadvantaged backgrounds, having linkages with specified minority-serving institutions, and offering mentoring programs to help individuals from disadvantaged backgrounds obtain health professions degrees.¹⁷ Schools that fail to meet these criteria may or may not face consequences affecting their program participation.

Student Eligibility for Receiving Loans

To be eligible for any of the active PHSA student loan programs, borrowers must be U.S. citizens, nationals, or lawful permanent residents. In general, students must be accepted to or enrolled full-time in an eligible institution (e.g., public or nonprofit institution) and in an eligible health profession educational program, as determined by the specific loan program (e.g., a nursing student for the NSL program). Only the NSL program loans are available to students enrolled on a half-time basis. PHSA student loan program funds are primarily intended to support students pursuing professional degrees. Therefore, PHSA funds are generally available only to students who have already obtained a bachelor's degree. However, there are some exceptions to this: (1) HPSL and LDS program loans may be used to support borrowers pursuing a bachelor's of pharmacy degree and (2) NSL program loans may be used to obtain an associate's or bachelor's degree in nursing. All PHSA loan programs require students to be in good academic standing to remain eligible for student loan funds.

With the exception of the NFLP, active PHSA student loan programs require that students demonstrate having financial need to be eligible for funds. Financial need is determined by taking into account the financial resources available to a student and the student's *cost of attendance*—the costs reasonably necessary for the student to attend the school, including tuition and reasonable living costs.¹⁸ When determining the financial resources available to a student, a school must use, in combination with other available information about the student's financial status, the expected family contribution (EFC) calculated according to need analysis formulas

¹⁵ 42 C.F.R. §57.216a.

¹⁶ For example, HHS, HRSA, "Application to Participate in the Primary Care Loan (PCL) Program," <https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/pcl-application.pdf>, p. 4-5.

¹⁷ For example, HHS, HRSA, "Application Loans for Disadvantaged Students (LDS) Program, Academic Year" <https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/lds-application.pdf>, pp. 10-11.

¹⁸ In general, institutions participating in the programs have discretion in setting their costs of attendance. HRSA has indicated that using the HEA Title IV requirements for developing costs of attendance "is an appropriate approach." See, for example, HHS, HRSA, "STUDENT FINANCIAL AID GUIDELINES, HEALTH PROFESSIONS PROGRAMS, Health Professions Student Loan Program (HPSL)," December 2011, <https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/hpsl-financial-aid-guidelines.pdf>, p. 15.

specified under Title IV-F of the HEA.¹⁹ In general, schools must collect and assess parents' financial information even if a student is considered independent for financial aid purposes under the HEA.²⁰ Students who do not provide parents' financial information are ineligible for PHSA loan programs. Under the PCL program, however, schools are permitted, but not obligated, to require that independent students²¹ provide parental financial information.²²

With the exception of the NFLP, students are required to register for selective service (if applicable) to be eligible for loans under the PHSA loan programs.²³ Although the programs do not prohibit schools from making loans to students who have defaulted on other federal student loans (e.g., those made under the HEA), HRSA suggests that schools establish such a policy to more thoroughly vet students in default before awarding PHSA student loan funds.²⁴

In general, individuals may borrow loan amounts for up to the cost of attendance for each year of attendance at an eligible school. There are no aggregate loan limits for loans made through the Title VII PHSA programs (PCL, LDS, and HPSTL). Loan amounts may be made for up to the cost of attendance; however, for the third and fourth years of medical school, under the LDS and PCL programs, loan amounts may exceed the cost of attendance. These extra amounts must be used to pay down previously borrowed student loans that were used to finance health professional education under programs other than the PCL, LDS, and HPSTL programs.²⁵ This allowance effectively enables students to refinance a portion of their outstanding student loan debt. Loans made under the Title VIII nursing programs are subject to annual and aggregate limits. Students may not borrow more than \$3,300 per year in initial periods of study under the NSL program, although students may borrow up to \$5,200 per year in the last two years of study. Individuals participating in the NSL program may not borrow an aggregate amount that exceeds \$17,000.²⁶ For NFLP, HRSA sets an annual loan limit of \$35,500 per student for any academic year but does not specify an aggregate limit.²⁷ Statute specifies that NFLP annual loan amounts may be adjusted to reflect the cost of pursuing an advanced nursing education.²⁸

¹⁹ For additional information on the need analysis formula, see CRS Report R44503, *Federal Student Aid: Need Analysis Formulas and Expected Family Contribution*. The FAFSA Simplification Act (Division FF, Title VII of the Consolidated Appropriations Act, 2021 [P.L. 116-59]) amended HEA Title IV-F by creating a student aid index to replace the expected family contribution. The act made additional changes to the need analysis formulas specified in the HEA. In general, changes made by the FAFSA Simplification Act will not go into effect until July 1, 2023.

²⁰ Under the HEA, independent students include (but are not limited to) students who are 24 years of age or older by December 31 of the award year and graduate and professional students. HEA §480(d) (20 U.S.C. §1087vv(d)).

²¹ For the PCL program, an independent student is a student who is at least 24 years of age and can prove that he or she has been independent for a minimum of 3 years.

²² HHS, HRSA, "STUDENT FINANCIAL AID GUIDELINES, HEALTH PROFESSIONS PROGRAMS, Primary Care Loans," December 2011, <https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/PCL-student-financial-aid-guidelines.pdf>, p. 35.

²³ For information on the Selective Service, see CRS Report R44452, *The Selective Service System and Draft Registration: Issues for Congress*.

²⁴ See, for example, HHS, HRSA, "STUDENT FINANCIAL AID GUIDELINES, HEALTH PROFESSIONS PROGRAMS, Primary Care Loans," December 2011, <https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/PCL-student-financial-aid-guidelines.pdf>, p. 37.

²⁵ It does not appear that there are other restrictions on the type of previously borrowed student loan debt that may be paid down with LDS and PCL program loans.

²⁶ 42 U.S.C. §297b.

²⁷ HHS, HRSA, "Nurse Faculty Loan Program (NFLP): HRSA-20-004," https://grants.hrsa.gov/2010/Web2External/Interface/Common/EHBDisplayAttachment.aspx?dm_rtc=16&dm_attid=b631c79e-c7a8-4a3b-b28c-4b1587f5126c.

²⁸ 42 U.S.C. §297n-1(c)(2).

HPSL, LDS, PCL, and NSL Loan Terms and Conditions

As discussed below, the loan terms and conditions for the HPSL, LDS, PCL, and NSL are similar. (The NFLP is discussed separately in the text box below because that program's loan terms and conditions vary from the other four programs, given the NFLP's intent to provide loan cancellation benefits to borrowers in exchange for serving as nurse faculty at an accredited nursing school.) Unless otherwise specified, the information in this section applies to each active PHSA loan program except the NFLP.

Nurse Faculty Loan Program (NFLP) Loan Terms and Conditions

HRSA's NFLP provides competitive discretionary grant awards to nursing schools to operate a loan fund. Unlike the other PHSA school-based loan programs, which have a revolving fund where new loans are made from repaid loans, the NFLP works by cancelling up to 85% of outstanding loans in exchange for borrowers' four-year service as nurse faculty members at accredited nursing schools. Because repaid loan amounts may be insufficient to make new loan awards from an institution's loan fund, additional funding is required for the institutional loan fund to remain operational. The NFLP was created because experts had identified nurse faculty shortages as a key factor limiting the rate at which new nurses could be recruited to avert a predicted nursing shortage.

The awarding of grants has not been consistent over the years; grants have been awarded in some years but not in others. Most recently, in FY2020, one-year awards were made to approximately 81 schools, some of which were to continue existing programs. To receive funds (either new or continuing), schools must provide HRSA with information on how they intend to use the funds, including their plans to use all funds within 18 months.

NFLP loans are available to advanced nursing students (i.e., doctoral level, master's level, or combined bachelor's and master's program students) who agree to serve as nursing faculty. In exchange for a recipient's service as a nurse faculty member, the awarding school cancels up to 85% of the principal and interest of an NFLP loan over a four-year period, with 20% cancelled during each of the first, second, and third years of service. After the borrower completes a fourth year of service, the school cancels 25% of the principal of and interest on the NFLP loan. Any portion of the loan not cancelled (i.e., the remaining 15%) must be repaid beginning after the four-year service period has ended. In general, NFLP loans have an annual interest rate of 3%, which begins accruing three months after a borrower ceases pursuing a course of study at a school of nursing. A 9-month grace period begins immediately after a borrower ceases to pursue a course of study at a nursing school. During this grace period, a borrower is not required to make loan payments, but interest accrues during the final six months). In addition, a borrower is allowed an additional three-month grace period (beyond the initial nine-month grace period) to obtain employment following graduation. For borrowers who fail to complete their program of study, do not obtain employment as nurse faculty within 12 months of graduation, or do not serve the full four-year period, the interest rate on NFLP loans changes from 3% to the prevailing market rate, which is adjusted annually. The prevailing market rate is determined by the Treasury Department after considering private consumer rates of interest and is published quarterly in the *Federal Register*. For example, for January-March 2021, the prevailing interest rate is 9 5/8%.

NFLP loans are repayable in equal or graduated installments, in accordance with the agreement made between the borrower and the school. The repayment period for an NFLP loan is 10 years. This term applies to borrowers who have completed their service commitment and are repaying their remaining loan balance. Borrowers may prepay all or part of the loan. Loans may be deferred for up to three years while a borrower is performing active duty service as a member of the uniformed service or serving as a Peace Corps volunteer. Loans may be deferred for up to 10 years while a borrower is pursuing a graduate nursing degree on at least a half-time basis or is otherwise pursuing advanced professional training in nursing (e.g., a post-doctoral fellowship). In addition, an institution may place a borrower's loan in forbearance when "extraordinary circumstances affect loan repayment." Neither statute, regulations, nor guidance specify consequences of default for individual borrowers, nor when default is considered to have occurred for such purposes.

As with the other PHSA loan programs, an NFLP loan may be cancelled if the borrower dies or becomes totally and permanently disabled. Finally, eligible borrowers may consolidate their NFLP loans into a Direct Loan program Consolidation Loan.

Sources: HHS, HRSA, "Nurse Faculty Loan Program (NFLP): HRSA-20-004," <https://www.hrsa.gov/grants/find-funding/hrsa-20-004>; HHS, HRSA, "Nurse Faculty Loan Program (NFLP) Administrative Guidelines," September 6, 2017, <https://www.hrsa.gov/sites/default/files/hrsa/grants/faqs/NFLP-admin-guidelines-2017.pdf>; and HHS, "Interest Rates on Overdue and Delinquent Debts," <https://www.hhs.gov/about/agencies/asfr/finance/financial-policy-library/interest-rates/index.html>, accessed March 2, 2021.

Interest Rate

PHSA loans generally incur an interest rate of 5% if they were borrowed after November 4, 1988.²⁹ Under the PCL program, borrowers must practice primary care for a minimum of 10 years or until the loan is repaid, whichever comes first.³⁰ Failure to meet the primary care service requirement results in an increased interest rate, depending on when the loan was borrowed. For loans made prior to November 13, 1998, the interest rate increases to 12%.³¹ For loans made on or after November 13, 1998, and before March 23, 2010, the interest rate increases to 18%. For loans made after March 23, 2010, the interest rate increases by 2 percentage points (i.e., to 7%).³² Interest does not begin to accrue on PHSA loans until the expiration of the grace period.

Grace Period

The grace period, during which repayment of principal is not required and interest does not accrue, is one year for HPSL, LDS, PCL program loans, and nine months for NSL program loans. The grace period begins immediately after a borrower first ceases to be enrolled on a full-time basis in a health professions program, or ceases to be enrolled on at least a half-time basis for NSL.³³ The grace period cannot be postponed to follow any deferments (e.g., a deferment for clinical training). As such, the grace period encompasses the first year of residency/advanced clinical training or the first nine months of advanced clinical training for nurses.

Repayment

Borrowers are required to make payments on their loans during a repayment period that begins immediately after the grace period or after any permissible deferments. Payments must be made no less often than quarterly and may be made in equal or graduated installments in accordance with a repayment schedule³⁴ made between the borrower and the school. Borrowers who are more than 60 days late with a payment must be placed on a monthly repayment schedule.

Monthly installments must be at least \$40 per month, and a school may not agree to a payment schedule that does not require at least a quarterly payment of principal and accrued interest. In

²⁹ Different interest rates apply to PHSA loans made prior to November 5, 1988, depending on the date of disbursement.

³⁰ Individuals who received a loan prior to March 23, 2010, must practice primary care until the loan is repaid. These changes are described in CRS Report R41278, *Public Health, Workforce, Quality, and Related Provisions in ACA: Summary and Timeline*.

³¹ Schools were also required to recalculate the balance due on the loan from the date of disbursement at an interest rate of 12% and compounded annually, for which borrowers would be responsible for repaying. HHS, HRSA, “Student Financial Aid Guidelines, Health Professions Programs, Primary Care Loan Program,” December 2011, <https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/PCL-student-financial-aid-guidelines.pdf>.

³² 42 U.S.C. §297s(a)(3). The Servicemembers Civil Relief Act caps the maximum interest charged on any debt incurred by a member of the armed forces and the commissioned corps of the National Oceanic Atmospheric Administration and the Public Health Service prior to entering active duty service at no higher than 6% per year for the duration of their active duty service, if their ability to pay is materially affected by active-duty status. The cap is not automatic and must be requested by the servicemember. For additional information, see CRS Report R45283, *The Servicemembers Civil Relief Act (SCRA): Section-by-Section Summary*.

³³ HHS, HRSA, “Student Financial Aid Guidelines, Health Professions Programs,” “Nursing Student Loan Program,” June 2017, <https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/nsf-financial-aid-guidelines.pdf>, p. 24.

³⁴ A repayment schedule is the schedule by which borrowers are required to make loan payments. It includes a due date for each payment, the amount credited to principal and interest from each payment, and any minimum payment amounts that may be required.

general, repayment periods must be not less than 10 years, but not more than 25 years.³⁵ The repayment period for the NSL program is 10 years.³⁶ With the exception of the NSL program, schools are instructed to determine the appropriate repayment period based on a borrower's loan amounts and projected income. However, schools must attempt to maximize the amount of funds available for revolving student loan funds while attempting to provide borrowers with flexibility to repay their loans.³⁷

A borrower may, at his or her option and without penalty, prepay all or any part of the principal and accrued interest at any time. The *prepayment* must first be applied to accrued interest and penalties, if any, and then to the principal balance.

Borrowers who are having difficulty making payments may receive a loan deferment or forbearance. A *deferment* is a temporary period during which a borrower's obligation to make regular payments of principal and interest is suspended. During deferment periods, interest does not accrue. For each loan type, deferment may be granted in the following circumstances:

- up to three years for active duty in the uniformed services;³⁸
- up to three years for service as a Peace Corps volunteer;³⁹
- while pursuing advanced professional training (e.g., residency or fellowship);⁴⁰
- up to two years for a leave of absence from a school to pursue related educational activity;⁴¹ and
- up to two years for training fellowships, training programs, and related educational activities for graduates of a health professional school.

For the NSL program, loans may be deferred for up to 10 years during the time in which a borrower is enrolled on at least a half-time basis in a collegiate nursing program leading to a baccalaureate degree in nursing or a graduate degree in nursing or training to become a nurse anesthetist. NSL program loans may be used to pursue associate's, bachelor's, and master's level nursing training. As such, this deferment permits individuals who received support for a prior degree to receive additional support to advance in the nursing career ladder, provided that such deferments do not exceed 10 years.

³⁵ Deferment periods are excluded from the 25-year limit.

³⁶ HHS, HRSA, "Student Financial Aid Guidelines, Health Professions Programs," "Nursing Student Loan Program," June 2017, <https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/nsf-financial-aid-guidelines.pdf>, p. 31.

³⁷ See HHS, HRSA, "Student Financial Aid Guidelines, Health Professions Programs, Primary Care Loan Program (PCL)," December 2011, <https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/PCL-student-financial-aid-guidelines.pdf>, p. 72.

³⁸ Uniformed services includes active duty service in the Army, Navy, Air Force, Marine Corps, Coast Guard, National Oceanic Atmospheric Administration, and the Public Health Service. See, for example, 42 C.F.R. § 57.210(a)(2).

³⁹ Service in Volunteers in Service to America (VISTA) volunteer does not qualify for deferment.

⁴⁰ Clinical training at a foreign institution may qualify a borrower for deferment, although foreign institutions themselves are not eligible to participate in these programs. Foreign clinical training would qualify an individual for a deferment if such training counts for purposes of licensure or board certification where applicable. Schools are permitted to determine if such training is eligible for forbearance.

⁴¹ This educational activity must be through a joint-degree program that is related to the original degree for which the borrower is receiving support. While the educational program may exceed two years, PHSA loans may only be deferred for two years for a related degree.

PHSA student loans may be placed in *forbearance*, during which a borrower's obligation to make payments on a loan's principal is temporarily suspended but interest continues to accrue.⁴² During forbearance, a borrower must make a minimum payment on the interest that continues to accrue. An institution may grant a borrower forbearance when extraordinary circumstances exist.⁴³ Examples of extraordinary circumstances include unemployment, poor health, or other short-term personal problems that temporarily curtail a borrower's ability to make scheduled payments. HRSA guidance urges schools to minimize the use of forbearance to lessen the potential burden for borrowers because of a reduced payment schedule.⁴⁴ Borrowers must request forbearance, and institutions have discretion in whether to grant it. HRSA requires that institutions annually obtain documentation that supports a borrower's request for forbearance.

In addition, HRSA permits institutions to *renegotiate* a borrower's repayment schedule when the borrower is able to make regular payments but is unable to pay the amount needed to keep the account current. The institution and borrower must agree on a new repayment schedule; however, the new schedule does not supersede the requirement to repay the loan within the established program time periods (e.g., 25 years for PCL and 10 years for NSL).⁴⁵

Finally, with the exception of PCLs,⁴⁶ eligible borrowers may consolidate their PHSA program loans into a Direct Loan program Consolidation Loan.⁴⁷ Consolidation allows borrowers to refinance their loan by borrowing a new loan and using the proceeds to pay off their existing student loan obligations. After consolidation, terms and conditions of Direct Consolidation Loans apply; PHSA program loan terms and conditions no longer apply.

Default

A borrower is considered to be in default on his or her PHSA loan if he or she fails to make a payment when due⁴⁸ or otherwise fails to comply with the terms of the loan's promissory note.⁴⁹ Institutions must assess borrowers a late fee for payments that are more than 60 days late. For

⁴² See, for example, HHS, HRSA, "Student Financial Aid Guidelines, Health Professions Programs, Primary Care Loan Program (PCL)," December 2011, <https://bhwhrsa.gov/sites/default/files/bureau-health-workforce/funding/PCL-student-financial-aid-guidelines.pdf>, p. 76.

⁴³ See, for example, 42 C.F.R. §57.210.

⁴⁴ See, for example, HHS, HRSA, "Student Financial Aid Guidelines, Health Professions Programs, Primary Care Loans," December 2011, <https://bhwhrsa.gov/sites/default/files/bhwpcl.pdf> <https://bhwhrsa.gov/sites/default/files/bureau-health-workforce/funding/PCL-student-financial-aid-guidelines.pdf>, p. 76.

⁴⁵ HRSA permits HPSL and LDS loans to be repaid over 25 years, but guidance regarding negotiation refers to a 10-year repayment schedule for both programs. As such, it is unclear how the longer length operates with regard to loan terms that have been renegotiated. See HHS, HRSA, "Student Financial Aid Guidelines Health Professions Program: Health Professions Student Loan Program, (HPSL)" December 2011, <https://bhwhrsa.gov/sites/default/files/bureau-health-workforce/funding/hpsl-financial-aid-guidelines.pdf>, p. 38 and, HHS, HRSA, "Student Financial Aid Guidelines, Health Professions Programs, Loans for Disadvantaged Students Program (LDS)," December, 2011, <https://bhwhrsa.gov/sites/default/files/bureau-health-workforce/funding/lfs-financial-aid-guidelines.pdf>, pp. 44.

⁴⁶ PCLs are ineligible for consolidation into a Direct Consolidation Loan because of the requirements that PCL borrowers work for 10 years in primary care.

⁴⁷ 20 U.S.C. §1078-3(a)(4). Borrowers must meet additional criteria to consolidate their PHSA loans into a Direct Consolidation Loan, including having at least one loan borrowed through the Direct Loan program or the Federal Family Education Loan program.

⁴⁸ This is unlike the rules applicable to loans made under the HEA Title IV Direct Loan program, where a borrower is generally considered in default on a loan when he or she fails to make required payments or otherwise fails to comply with the terms of loans promissory note for 270 days. 34 C.F.R. §685.102(b).

⁴⁹ 42 C.F.R. §§57.202 and 57.302. A promissory note is a contract between a lender and a borrower that contains the terms and conditions of the loan.

loans disbursed or promissory notes signed on or after October 22, 1985, the late fee may not exceed 6% of the installment payment. Schools must notify appropriate consumer reporting agencies regarding borrowers whose accounts are at least 120 days overdue.⁵⁰

Schools have several options in handling borrower default, including accelerating the loan payment, wherein the entire unpaid balance of the loan becomes due in full, and referring defaulted loans to a collection agency and instituting legal proceedings against a borrower.⁵¹ In addition, schools may refer loans to the Secretary for collection assistance, which could include the offset of federal employee salaries, if applicable, and subsequent referral to the Attorney General for appropriate civil action.⁵²

With the exception of PCLs, a borrower may consolidate his or her defaulted PHSA loan into a Direct Consolidation Loan under ED's Direct Loan program by using the proceeds of a new Direct Consolidation to pay off the defaulted loan. This would effectively cure the default on the PHSA loan, as the loan would be considered paid in full. To be eligible to do so, a borrower must make satisfactory repayment arrangements with the loan holder⁵³ or agree to repay the Direct Consolidation Loan under one of the income-driven repayment plans available under the Direct Loan program.⁵⁴

Loan Cancellation

PHSA loans may be cancelled (sometimes referred to as *loan discharge*) if the borrower dies or becomes permanently and totally disabled.⁵⁵ Schools are permitted to charge borrowers an insurance premium to cover the loss of institutional funds resulting from such cancellation.⁵⁶ In addition, PHSA loans may be discharged in bankruptcy under limited circumstances.⁵⁷

Program Data

Schools that participate in the active loan programs are required to provide HRSA with annual data on their programs. The most current data available are as of July 1, 2019. **Table 1** provides data on the five active loan programs. Data are sorted by program; however, it is possible for a

⁵⁰ 42 C.F.R. §§57.210(b)(1)(x) and 57.310(b)(1)(x).

⁵¹ Institutions are required to use all of these practices to some extent; however, they often have discretion in determining when and how to use these practices. 42 C.F.R. §§57.210(b) & 57.310(b). See also HHS, HRSA, "Student Financial Aid Guidelines, Fiscal Management, Accounting Procedures," <https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/fiscal-management-accounting.pdf>, pp. 19-26.

⁵² 42 U.S.C. §§292r(l) and 297b(j).

⁵³ Regulations do not define "satisfactory repayment arrangements."

⁵⁴ 34 C.F.R. § 685.220(i)(3)(ii) and U.S. Department of Education, "Direct Consolidation Loan Application and Promissory Note: William D. Ford Federal Direct Loan Program," OMB No. 1845-0053. For additional information on the income-driven repayment plans, see CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

⁵⁵ A borrower is considered *permanently and totally disabled* if he or she is "unable to engage in any substantial gainful activity because of a medically determinable impairment, which the Secretary expects to continue for a long time or to result in death." HHS, HRSA; see, for example, 42 C.F.R. §57.211(a).

⁵⁶ The insurance premium may not exceed 0.6% of the loan amount disbursed. See, for example, HHS, HRSA, "STUDENT FINANCIAL AID GUIDELINES, HEALTH PROFESSIONS PROGRAMS, Primary Care Loan Program (PCL)," December 2011, <https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/PCL-student-financial-aid-guidelines.pdf>, p. 61.

⁵⁷ Section 523(a)(8) of the Bankruptcy Code (11 U.S.C. § 523(a)(5)), provides that student loans are presumptively not dischargeable in bankruptcy absent an *undue hardship*. For additional information, see CRS Report R45113, *Bankruptcy and Student Loans, Bankruptcy and Student Loans*.

borrower to receive loans for more than one PHS program. Available data do not track individual borrowers for confidentiality reasons. As such, it is not possible to determine unique borrower counts in each of the programs.

Table 1. Active PHSA Loan Program Data

(Data as of July 2019)

Statutory Citation and Program Website	Borrower Type	Repayment Terms	Number of Schools Participating	Number of Outstanding Loans	Total Outstanding Loan Balance (\$ in thousands)	Average Outstanding Loan Balance
Health Professions Student Loans						
42 U.S.C. §§292q-r (https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/hpsl-financial-aid-guidelines.pdf)	Low-income student enrolled in accredited schools of dentistry, optometry, pharmacy, podiatric, or veterinary medicine	<ul style="list-style-type: none"> • Repayment schedule of not less than 10 years, but not more than 25 years • 5% interest rate • Deferment for postgraduate training needed for licensure (e.g., residency) • Renegotiation and forbearance permitted • Eligible for consolidation into Direct Loan program 	112	30,050	\$387,888	\$12,908
Primary Care Loans						
42 U.S.C. §292s (https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/PCL-student-financial-aid-guidelines.pdf)	Low-income students enrolled in accredited schools of osteopathic or allopathic medicine	<ul style="list-style-type: none"> • Repayment schedule of not less than 10 years and not more than 25 years • Deferment for postgraduate training needed for licensure (e.g., residency) • Must complete a residency in primary care and practice for 10 years (for borrowers after March 23, 2010) or until the loan is repaid^a • Interest rate of 5%, but increases for borrowers 	98	2,119	\$149,540	\$70,571

Statutory Citation and Program Website	Borrower Type	Repayment Terms	Number of Schools Participating	Number of Outstanding Loans	Total Outstanding Loan Balance (\$ in thousands)	Average Outstanding Loan Balance
		<p>who fail to meet the primary care service requirement. For borrowers after March 23, 2010, rate increases 2% above prior rate</p> <ul style="list-style-type: none"> • Renegotiation and forbearance are permitted • Ineligible for consolidation into Direct Loan program 				
Loans for Disadvantaged Students						
42 U.S.C. §292t (https://bhw.hrsa.gov/sites/default/files/bureau-health-workforce/funding/lds-financial-aid-guidelines.pdf)	Students from disadvantaged backgrounds enrolled in accredited schools of dentistry, pharmacy, allopathic, osteopathic, or veterinary medicine ^b	<ul style="list-style-type: none"> • Repayment schedule of not less than 10 years and not more than 25 years • 5% interest rate • Deferment for postgraduate training needed for licensure (e.g., residency) • Renegotiation and forbearance permitted • Eligible for consolidation into Direct Loan program 	105	7,058	\$151,889	\$21,520
Nursing Student Loans						
42 U.S.C. §§297a-i (https://bhw.hrsa.gov/sites/default/files/bureau-health-workforce/funding/nsf-financial-aid-guidelines.pdf)	Low-income borrowers enrolled in nursing schools in preparation for an associate's, bachelor's, or	<ul style="list-style-type: none"> • Repayment schedule of 10 years • Interest rate of 5% • Deferment while pursuing for advanced nursing training 	243	40,295	\$143,301	\$3,556

Statutory Citation and Program Website	Borrower Type	Repayment Terms	Number of Schools Participating	Number of Outstanding Loans	Total Outstanding Loan Balance (\$ in thousands)	Average Outstanding Loan Balance
	graduate degree in nursing	<ul style="list-style-type: none"> Renegotiation and forbearance permitted Eligible for consolidation into Direct Loan program 				
Nurse Faculty Loans						
42 U.S.C. §297n-1 (https://www.hrsa.gov/grants/find-funding/hrsa-20-004)	Students who are graduate-level nurses interested in becoming nurse faculty	<ul style="list-style-type: none"> Repayment schedule of 10 years 3% interest rate Up to 85% of a borrower's loan balance may be cancelled over four years for borrowers who are nurse faculty. Individuals are responsible for paying the balance, plus interest, of their loan at the end of four years Deferment while pursuing Advanced professional training in nursing Forbearance permitted Eligible for consolidation into Direct Loan program 	80	2,277 ^c	\$75,000	\$32,938

Source: CRS Analysis of Titles VII and VIII of the Public Health Service Act and 42 C.F.R. Part 57, Subparts C and D. Data obtained from the Health Resources and Services Administration (HRSA) on June 4, 2020, July 14, 2020, and October 23, 2020.

- a. *Primary health care* is defined as family medicine, general internal medicine, general pediatrics, preventive medicine, or osteopathic general practice.
- b. *Students from disadvantaged backgrounds* refers to individuals who are from backgrounds that have inhibited the individuals from obtaining the knowledge, skills, and abilities required to graduate from a school, or who are from a low-income family as defined by the program.
- c. The Nurse Faculty Loan Program (NFLP) issued 2,277 loans, but made loans to 2,303 borrowers. The number of borrowers is higher than the number of loans because some of these borrowers received loans prior to 2018 but did not receive loans for the 2018-2019 academic year. Such borrowers may have not received

loans for various reasons, for example, because they were in the dissertation phase of their training or had taken a leave of absence. HRSA requires that institutions track each borrower who received an NFLP loan until the borrower has graduated or has otherwise left the program (i.e., attrition).

NFLP Loan Cancellation Data

In addition, data are available on the amount of cancellation benefits received under the NFLP. As previously described, up to 85% of a borrower's outstanding NFLP balance may be cancelled in exchange for serving for four years as a nurse faculty member at accredited nursing schools. For academic year 2018-2019, the most recent year for which data are available, the average amount of cancellation benefits received was \$25,571 dollars, representing a total of approximately \$42 million in cancellation benefits for 1,652 borrowers.⁵⁸

Health Education Assistance Loan (HEAL) Program

PHSA Title VII Part A-I authorizes the HEAL program, which made loans available to qualifying health professions students from FY1978 through FY1998. Congress terminated the authority to make new HEAL Program loans after September 30, 1998,⁵⁹ however, many program loans remain outstanding, and the federal government is responsible for administering the program. HHS originally administered the program, but the Consolidated Appropriations Act, 2014 (P.L. 113-76), transferred administration of the program to the Department of Education (ED). As of November 15, 2017, HEAL program loans totaling approximately \$187 million, borrowed by 11,390 individuals, were outstanding.⁶⁰

The HEAL program is considerably different than the other student loan programs authorized under PHSA.⁶¹ Unlike the PHSA loan programs discussed above, under the HEAL program, private sector and state-based lenders originated loans to qualifying health professions students; these loans were funded with nonfederal capital. The federal government guarantees lenders against loss due to borrower default, death, permanent disability, and bankruptcy. Private and state-based lenders retain ownership of the loans and perform loan servicing functions, such as billing borrowers, collecting loan payments, and initiating collection work on defaulted loans. If a loan defaults, a HEAL program lender may file an insurance claim with ED. Upon payment of the claim by ED, the lender transfers the loan to ED, and ownership and responsibility for loan administration changes from lenders to ED (via its contracted loan servicers and privacy collection agencies).⁶²

HEAL program loan terms and conditions generally are prescribed in statute and generally remain the same upon transfer to ED.⁶³

⁵⁸ An academic year is July 1-June 30.

⁵⁹ 42 U.S.C. §292a(a). The ability to refinance or consolidate existing HEAL program loans within the HEAL program expired September 30, 2004. HEAL program loan borrowers currently may consolidate their loans into a Direct Consolidation Loan. 20 U.S.C. §§1078-3(d)(1)(C)(ii) and 1087e(a)(1).

⁶⁰ U.S. Department of Education, "Health Education Assistance Loan (HEAL) Program," 82 *Federal Register* 53377, November 15, 2017.

⁶¹ 42 U.S.C. §292 et seq.

⁶² 42 U.S.C. §292f(b)

⁶³ Loan terms and conditions may vary slightly in specific instances once transferred to ED. For example, HEAL program loans owned by ED are eligible for the temporary suspension of interest and monthly payments provided to borrowers of ED-held loans in response to the coronavirus disease 2019 (COVID-19) pandemic, but borrowers of HEAL program loans not held by ED are ineligible for such benefits. U.S. Department of Education Office of Federal Student Aid, "Coronavirus and Forbearance Info for Students, Borrowers, and Parents," <https://studentaid.gov/announcements-events/coronavirus>, accessed October 26, 2020.

Student Eligibility

HEAL program loans were available to eligible graduate students⁶⁴ enrolled in schools of medicine, osteopathy, dentistry, veterinary medicine, optometry, podiatry, public health, pharmacy,⁶⁵ and chiropractic, or in programs in health administration and clinical psychology.⁶⁶ In addition, eligible nonstudents (e.g., doctors serving as residents or interns) were able to borrow new HEAL program loans to pay interest charges that accrued on earlier HEAL program loans.⁶⁷ Finally, regardless of whether a borrower was a student or nonstudent, regulations specified that lenders were to make HEAL program loans only to applicants whom the lender had determined to be creditworthy.⁶⁸

Loan Terms and Conditions

Interest Rates

At the lender's option, HEAL program loans were made with fixed or variable interest rates, but the selected option remains effective for the life of the loan. Lenders set borrowers' loan interest rates within certain parameters. For instance, borrower rates may not exceed the applicable maximum borrower interest rate calculated by the Secretary of Education (the Secretary).⁶⁹ For loans with fixed interest rates, the applicable maximum interest rate over the life of the loan is calculated using statutorily specified rate setting formulae, which are used to determine applicable fixed rates for the calendar quarter in which the loan was made. For loans with variable interest rates, the applicable maximum interest rate is determined using the same statutorily specified rate setting formulae, but changes each calendar quarter.⁷⁰ The formulae used by the Secretary to calculate the maximum interest rate vary depending on when the loan was made, but for all loans made on or after October 22, 1985, the maximum interest rate is pegged to the 91-day U.S. Treasury Bill auctioned for the preceding quarter, plus three percentage points, and rounded to the next higher one-eighth of one percent.⁷¹ For example, for the quarter ending December 31, 2020, the maximum variable interest rate for loans made on or after October 22,

⁶⁴ Additional eligibility criteria included, for example, that an individual be a U.S. citizen, national, or lawful permanent resident of the United States and be enrolled as a full-time student.

⁶⁵ Individuals pursuing bachelor's degrees in pharmacy were also eligible for HEAL program loans.

⁶⁶ 34 C.F.R. §681.5.

⁶⁷ 34 C.F.R. §681.6.

⁶⁸ An applicant was considered creditworthy if he or she had "a repayment history that ha[d] been satisfactory on any loans on which payments ha[d] become due." An applicant was not considered creditworthy if he or she was in default on any loan or delinquent on any federal debt, until the defaulted or delinquent account was made current or until satisfactory arrangements were made between the lender of the delinquent or defaulted loan and the HEAL program applicant. 34 C.F.R. §681.33(c).

⁶⁹ Although the Servicemembers Civil Relief Act caps the maximum interest charged on any debt incurred by a servicemember prior to entering active duty service at no higher than 6% per year for the duration of their active duty service, the cap does not appear to apply to HEAL program loans. Specifically, 42 U.S.C. §292d(d) states, "No provision of any law of the United States ... or of any State that limits rate or amount of interest payable on loans shall apply" to a HEAL program loan.

⁷⁰ 42 U.S.C. §292d(a) and (b); 34 C.F.R. §681.13

⁷¹ See, for example, 34 C.F.R. §681.13(a)(1).

1985, is 3.125%.⁷² Interest accrues on the loan from the date it is disbursed until it is paid in full (i.e., no interest subsidy is provided).⁷³

Repayment

Borrowers are required to repay their HEAL program loans during a repayment period, which typically begins after a nine-month grace period.⁷⁴ In general, lenders determine the length of the loan repayment period; however, the repayment period may not be less than 10 years and not greater than 25 years. A borrower must repay his or her loan in full within 33 years from the date the loan is made.⁷⁵ Typically, payments must be made on a monthly basis and may be made in equal or graduated installments, with graduated installment payments increasing in amount over the repayment period.⁷⁶ Lenders are required to offer an income-contingent repayment schedule that, during the first five years of repayment, is based on a borrower's income.⁷⁷ In general, total annual payments must equal at least the amount of interest that accrues during the year.⁷⁸ A borrower may prepay all or part of the loan at any time, without penalty.⁷⁹

Eligible borrowers may consolidate their HEAL program loans into a Direct Loan program Consolidation Loan. If a borrower does so, the borrower repays the resulting Direct Consolidation Loan under the terms and conditions of the Direct Loan program.

HEAL program borrowers who are having difficulty making payments may receive a loan deferment or forbearance. Unlike the other loan programs authorized under the PHSA, interest on HEAL program loans continues to accrue during periods of deferment. Deferment may be granted to a borrower in the following circumstances:⁸⁰

- while pursuing a full-time course of study at an institution of higher education as defined in Section 102(a) of the Higher Education Act;

⁷² Department of Education, Office of Federal Student Aid, "HEAL Interest Rates," <https://ifap.ed.gov/heal-interest-rates>.

⁷³ 34 C.F.R. §681.13(b).

⁷⁴ 34 C.F.R. §681.11(a)(1). Generally, the grace period commences when a borrower ceases to be enrolled full-time at a HEAL program school. However, if a borrower meets specified conditions (e.g., enters an internship, residency, or fellowship training program), the start of the repayment period may be further postponed.

⁷⁵ 34 C.F.R. §681.11(b). For loans made prior to October 22, 1985, deferment periods are not included in any of the repayment period thresholds. For loans made on or after October 22, 1985, periods of deferment are included in the 33-year limitation, but are excluded from the 10- and 25-year limitations. For loans made on or after October 13, 1992, periods of forbearance are excluded from the 25-year limitation. 42 U.S.C. §292d(e) and U.S. Department of Education, Office of Federal Student Aid, "Health Education Assistance Loan (HEAL) Program," <https://ifap.ed.gov/sites/default/files/attachments/2019-07/AboutHEALProgram.pdf> [hereinafter FSA, *HEAL*], p. 2.

⁷⁶ 34 C.F.R. § 681.11(e). In addition, a lender or loan holder and a borrower may enter into a *supplemental repayment agreement* under which a lender or holder "agrees to consider that the borrower has met the terms of the regular repayment schedule as long as the borrower makes payments in accordance with the supplemental schedule." A supplemental repayment schedule may be based on other than an equal or graduate payments, for example, the borrower's income. 34 C.F.R. §681.11(f).

⁷⁷ FSA, *HEAL*, p. 1.

⁷⁸ 34 C.F.R. §681.11(d). Borrowers and lenders may agree, in writing, that payments for any year or repayment period equal a lesser amount.

⁷⁹ 34 C.F.R. §681.11(c).

⁸⁰ 42 U.S.C. §292d(a)(2)(C).

- up to four years while participating in an accredited internship or residency program;⁸¹
- up to two years while participating in a qualified fellowship training program or educational activity at an eligible institution;⁸²
- up to three years for full-time active duty in the U.S. Armed Forces;
- up to three years while serving in the Peace Corps, the National Health Service Corps, or on a full-time basis in Volunteers in Service to America (VISTA);
- up to three years for a borrower who has completed a qualifying internship or residency training program and who is practicing primary care;⁸³
- up to one year for borrowers who are graduates of schools of chiropractic; and
- up to three years while providing health care services to Indians through any health program or facility wholly or partially funded by the Indian Health Service for the benefit of Indians.

Under the HEAL program, *forbearance* is a temporary extension of time for making a payment or a temporary period during which a borrower may make payments in reduced amounts.

Forbearance may be granted in six-month increments up to a maximum of two years. Periods of forbearance may be extended beyond the two-year limit with approval from the Secretary.

Forbearance is granted if a lender determines that the borrower is temporarily unable to make scheduled payments on his or her loan but continues to make payments on the loan in an amount commensurate with his or her ability to repay the loan.⁸⁴

If a borrower fails to pay all of a required payment (or fails to provide written notification of eligibility for deferment) to a HEAL program loan holder within 30 days after the payment's due date, the holder is required to charge a late fee equal to 5% of the unpaid portion of the payment due. The loan holder may also charge the borrower for reasonable costs incurred by the holder in attempting to collect any past-due payments.⁸⁵ Loan holders must notify appropriate consumer reporting agencies regarding borrowers whose accounts are at least 60 days overdue.⁸⁶

Default

Generally, a borrower is considered to be in default of a HEAL program loan if he or she fails to make payment when due or fails to otherwise comply with terms of the loan's promissory note for 120 days, in the case of loans paid in monthly installments.⁸⁷ Consequences of borrower default include those typical of other federal student loan programs, such as referral of defaulted

⁸¹ For borrowers who received their first HEAL program loan on or after October 22, 1985, this four-year period includes any postponement of the repayment period following the initial grace period.

⁸² 34 C.F.R. §681.12(b)(2) references eligible institutions as defined in HEA §435(b). Section 435(b) was repealed by the Higher Education Amendments of 1992 (P.L. 102-325).

⁸³ Generally residencies in primary care are three years; however, an individual may do a combined residency in two primary care specialties (e.g., internal medicine and pediatrics) that may exceed three years. Generally, residencies in non-primary care specialties are longer than three years.

⁸⁴ 34 C.F.R. §681.37.

⁸⁵ 34 C.F.R. §681.15(a) and (b).

⁸⁶ 34 C.F.R. §681.35(c)(2).

⁸⁷ 34 C.F.R. §681.40(c)(1). A borrower is considered in default if loan payments are made less frequently than monthly and the borrower has failed to make such payments for 180 days.

loans to a collection agency and litigation,⁸⁸ along with consequences unique to the program, including⁸⁹

- reduction of federal reimbursement or payments for health services provided under federal law (e.g., health services provided under the Medicare program), up to the remaining balance of the loans;
- publication of the borrower's name and the fact that he or she has defaulted in the *Federal Register*;⁹⁰ and
- notification of the borrower's default to relevant federal agencies and to schools, school associations, professional and specialty associations, state licensing boards, hospitals with which the borrower may be associated, and other relevant organizations.⁹¹

A borrower may consolidate his or her defaulted HEAL program loan into a Direct Consolidation Loan under ED's Direct Loan program by using the proceeds of a new Direct Consolidation to pay off the defaulted loan. This would effectively cure the default on the HEAL program loan, as it would be considered paid in full. To be eligible to do so, he or she must make satisfactory repayment arrangements with the loan holder⁹² or agree to repay the Direct Consolidation Loan under one of the income-driven repayment plans available under the Direct Loan program.⁹³

Loan Discharge

HEAL program loans may be discharged⁹⁴ (sometimes referred to as loan cancellation) if the borrower dies or becomes permanently and totally disabled.⁹⁵ HEAL program loans may be discharged in bankruptcy if specified criteria are met, including a determination by the Bankruptcy Court that not discharging the loan would be unconscionable.⁹⁶

⁸⁸ FSA, *HEAL*, pp. 2-3.

⁸⁹ 42 U.S.C. §§292f (f), (h) and 292h(c).

⁹⁰ See, for example, Department of Education, "List of Borrowers Who Have Defaulted on Their Health Education Assistance Loans," 85 *Federal Register* 60140, September 24, 2020.

⁹¹ Some state laws require that an individual's professional licensure be revoked or suspended if they default on outstanding loans, including HEAL program loans. See, for example, Jessica Silver-Greenberg, Stacy Cowley, and Nataile Kitroeff, "When Unpaid Student Loan Bills Mean You Can No Longer Work," *The New York Times*, November 18, 2017.

⁹² Regulations do not define "satisfactory repayment arrangements."

⁹³ 34 C.F.R. § 685.220(i)(3)(ii) and U.S. Department of Education, "Direct Consolidation Loan Application and Promissory Note: William D. Ford Federal Direct Loan Program," OMB No. 1845-0053. *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

⁹⁴ Borrower of HEAL program loans may be eligible for various other federal loan forgiveness and loan repayment programs authorized outside of PHS Act Title VII Part A-I. For additional information, see CRS Report R43571, *Federal Student Loan Forgiveness and Loan Repayment Programs*.

⁹⁵ 42 U.S.C. §292m. The Secretary of Education discharges HEAL program loans due to a borrower's total and permanent disability in accordance with the same procedures used for Direct Loan program loans. 34 C.F.R. §681.39(b).

⁹⁶ 42 U.S.C. §292f(g). This standard differs from the more generally applicable standard that student loans are presumptively not dischargeable in bankruptcy absent an undue hardship. For additional information on the dischargeability of student loan debt in bankruptcy, see CRS Report R45113, *Bankruptcy and Student Loans*.

Appendix. Glossary of Terms

Acceleration	Demand for immediate repayment of the entire outstanding (unpaid) balance of a loan.
Consolidation	The process through which a borrower refinances his or her existing student loan by borrowing a new loan and using the proceeds to pay off existing student loan obligations.
Default	The failure of a borrower to make an installment payment on a loan when due, or to comply with any other terms of the promissory note for the loan.
Deferment	A temporary period during which a borrower's obligation to make regular payments of principal and interest is suspended, if the borrower meets applicable eligibility criteria.
Forbearance	<i>Active PHSA Loan Programs:</i> A period during which a borrower's obligation to make payments on a loan's principal (balance) is temporarily suspended. <i>HEAL Program:</i> A period during which a borrower may extend the time for making payments or temporarily make smaller payments.
Grace period	A temporary period after a borrower ceases to meet specified enrollment status (full-time or part-time), during which the borrower is not required to make payments on his or her loan and during which interest does not accrue.
Prepayment	A loan payment made before it is due under the terms of the loan.
Promissory note	A contract between a lender and a borrower that contains the terms and conditions of the loan.
Repayment period	The time during which a borrower is obligated to make payments on a loan according to the terms and conditions of the loan.
Repayment schedule	The schedule on which borrowers are required to make loan payments. Repayment schedules include a due date for each payment, the amount credited to principal and interest from each payment, and any minimum payment amounts that may be required.
Renegotiation	A process through which a loan's repayment schedule is adjusted. It is used when a borrower is able to make payments on a regular basis but is unable to pay the amount required to keep his or her account current according to the existing repayment schedule.

Sources: These definitions are based on Titles VII and VIII of the Public Health Service Act; 34 C.F.R. Part 681; 42 C.F.R. 57; Subparts C and D, Health Resources and Services Administration (HRSA) Student Financial Aid Guidelines for Health Professions Student Loans, Loans for Disadvantaged Students, Primary Care Loans, and Nursing Student Loans, available at Health and Human Services (HHS), HRSA, "School-Based Loans and Scholarships," <https://bhwh.hrsa.gov/loans-scholarships/school-based-loans>; HHS, HRSA Nurse Faculty Loan Program, "Nurse Faculty Loan Program (NFLP) Administrative Guidelines," <https://www.hrsa.gov/sites/default/files/hrsa/grants/faqs/NFLP-admin-guidelines-2017.pdf>; and HHS, HRSA, "Student Financial Aid Guidelines, Fiscal Management, Accounting Procedures," <https://bhwh.hrsa.gov/sites/default/files/bureau-health-workforce/funding/fiscal-management-accounting.pdf>.

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