

# APPENDIX A

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**AGREEMENT  
WITH  
U.S. Department of Health and Human Services (HHS), Health Resources and Services  
Administration  
Bureau of Health  
Workforce  
TO PARTICIPATE IN THE NURSE FACULTY LOAN PROGRAM  
(NFLP)**

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The Nurse Faculty Loan Program (“NFLP”), Section 846A of the Public Health Service Act (“the Act”), authorizes the Secretary of the Department of Health and Human Services (“HHS”) to enter into an agreement with a school of nursing to establish and operate a student loan fund to increase the number of qualified nursing faculty.

## **TERMS OF AGREEMENT**

### **I. Obligations of HHS - Subject to the availability of funds, HHS agrees to:**

- A. Make an award to the school in the form of a Federal Capital Contribution (FCC); and**
- B. Pay to the school an amount equal to the school’s proportionate share of the principal and interest that is forgiven on any NFLP loan.**

### **II. Obligations of the School**

In consideration of the receipt of an NFLP award, the school agrees to perform and comply with the below-listed obligations, as well as all applicable federal statutes, regulations, and policies.

#### **A. The Fund**

1. The school will establish an NFLP fund (“the Fund”) to be used only for making NFLP loans to eligible students and for the costs associated with collection of these loans and interest thereon. Costs associated with collection of these loans and interest thereon must be considered reasonable by HRSA (as defined by 45 CFR 75, section 75.404).
2. The school will deposit into the Fund:
  - The FCC,
  - An Institutional Capital Contribution (ICC) equal to not less than one-ninth of the FCC,
  - Collections of principal and interest on NFLP loans made from the Fund, and
  - All other earnings of the Fund.
3. NFLP schools are permitted to retain unused NFLP loan funds in the revolving institutional NFLP fund account without fiscal year restriction. However, unused NFLP grant funds must be used within 18 calendar months from the end of the NFLP-designated budget year period. Institutions failing to do so will be considered non-compliant with NFLP requirements and failure to comply may result in administrative actions up to and including withholding further Federal awards for the project, as well as the suspension and/or termination of the NFLP grant.
4. NFLP schools must have a default rate of not more than five percent. The default rate for each school shall be the ratio (stated as a percentage) that the defaulted principal amount outstanding of the school bears to the matured loans of the school. Failure to meet NFLP requirements may impact NFLP grant funding per Uniform Guidance [2 CFR 200](#) as codified by HHS at [45 CFR 75](#). Institutions that exceed a default rate of greater than five percent will be considered non-compliant with NFLP requirements. The default rate is calculated as the percent of the institution’s total outstanding student loan principal subject to repayment which is past due for a period of greater than 120 days. HRSA will assess award recipients for program compliance including to determine whether an institution has a default rate greater than five percent on June 30 of each year. When non-compliance is determined (e.g., an NFLP recipient has a default rate greater than five percent HRSA will notify the institution of its non-compliant status, as well as any required steps to come into compliance, including any necessary action on the part of the grant recipient. Grant recipients will be provided with a time-phased approach to resolve compliance issues. Failure to comply with the grant requirement within the specified time frame may result in administrative actions up to and including withholding further Federal awards for the project, as well as the suspension and/or termination of the NFLP grant.

#### **B. Eligible Borrowers**

The school must determine that an NFLP loan applicant is eligible before making the loan. To be eligible to receive an NFLP loan, a borrower must:

1. Be a U.S. citizen or national of the U.S., or a lawful permanent resident of the U.S. and its territories;
2. Be enrolled as a student in good standing in an advanced nurse education program at the school;
3. Maintain “good academic standing” according to the school while enrolled in the advanced nurse education program; and
4. Have no judgment liens entered against him/her based on the default on a federal debt, 28 U.S.C. 3201(e).

#### **C. Making the NFLP Loan**

1. The school will make NFLP loans to eligible students for the cost of tuition, fees, books, lab expenses, and other reasonable education expenses. The school should offer full support or the amount requested by the student to cover the full or partial tuition/fees on a first-come-first-serve basis for an academic year until funds are expended. An NFLP loan may not exceed \$35,500 per student for any academic period (such amounts shall be adjusted to provide for cost of attendance (that is, the cost of tuition, fees, books laboratory expenses, and other reasonable education expenses, increase for the yearly loan rate, and the aggregate loan), not to exceed five years of support to a student. The school must develop student budgets that treat students within groups consistently, but are sensitive to individual circumstances.

2. The school must send a loan award notification letter to each student. The award letter must require the student's signature to indicate acceptance or rejection of the NFLP loan and the return of this document to the school. The school must provide the student with a copy of this document.
3. The school must execute an NFLP Promissory Note when making an NFLP loan. (EXHIBIT A) Modification of the Promissory Note requires prior approval of HHS. The borrower must sign the Promissory Note prior to disbursement of loan funds. It is not necessary to have a separate Promissory Note signed each time a student receives an advance of funds. The school must give the borrower a copy of each note. Any NFLP statutory amendment affecting the terms of the NFLP loan requires an amended Promissory Note for future loans and, in some circumstances, an amendment to previously executed Promissory Notes.
4. The school must disburse the NFLP loan in payments not to exceed the amounts needed by the borrower for the relevant period of time.
5. The borrower must complete the specified education component(s) for the advanced nursing degree program prior to graduating from the program.

#### **D. Interest**

1. The NFLP loan will bear interest on the unpaid balance of the loan at: **(a)** the rate of three percent per annum beginning three months after the Borrower graduates from the program, or **(b)** bear interest on the unpaid balance of the loan at the prevailing market rate if the borrower fails to complete the advanced nurse education program or when the Borrower fails to establish employment as full-time nurse faculty at an accredited school of nursing. Loans to borrowers employed as full-time nurse faculty at a school of nursing for a consecutive four-year period will bear interest at the rate of three percent for the four-year period and the remaining six years of the "repayment period." If the borrower ceases full-time employment as nurse faculty at a school of nursing, the NFLP loan will bear interest at the prevailing market rate.

#### **E. Cancellation (Forgiveness)**

The NFLP is a loan forgiveness program with a service obligation for recipients of the loans. To be eligible for the maximum 85 percent forgiveness, the Borrower must agree to serve as full-time nurse faculty at an accredited school of nursing for a consecutive four-year period following graduation from the program. Following graduation, the Borrower must submit certification of employment within a reasonable timeframe to be determined by the school. NFLP borrowers are limited to a 12-month timeframe to establish employment as full time nurse faculty at an accredited school of nursing following graduation from the program. If employment verification is not submitted within the 12-month period, the borrower will **NOT** be eligible for loan forgiveness. The school will cancel an amount up to 85 percent of the principal and interest of an NFLP loan as follows:

1. Upon completion by the borrower of each of the first, second and third year of full-time employment as a faculty member in a school of nursing, the School will cancel 20 percent of the principal of and interest on the NFLP loan, as determined on the first day of employment.
2. Upon completion by the borrower of the fourth year of full-time employment as a faculty member in a school of nursing, the School will cancel 25 percent of the principal of and interest on the NFLP loan, as determined on the first day of employment.

#### **F. Repayment**

1. The NFLP loan is repayable over a 10-year period beginning nine months after the borrower completes the advanced nurse education program, ceases to be enrolled as a student in the advanced nurse education program, or ceases to be employed as full-time nurse faculty.
  - Prepayment: The Borrower may, at his or her option and without penalty, prepay all or any part of the principal and accrued interest on the loan at any time.
  - Acceleration: If the Borrower fails to make a scheduled repayment or fails to comply with any other term of this Promissory Note, the entire unpaid balance of the loan, including interest due and accrued and any applicable penalty charges, will, at the option of the school, become immediately due and payable.
2. Deferment: NFLP borrowers are eligible for deferment for up to three years, (1) when the borrower is ordered to active duty as a member of a uniformed service of the United States (Army, Navy, Marine Corps, Air Force, Coast Guard, the National Oceanic and Atmospheric Administration Corps, or the U.S. Public Health Service Commissioned Corps); a borrower who voluntarily joins a uniformed service is NOT eligible for deferment, nor is a borrower who is employed by one of the uniformed services in a civilian capacity, or (2) when the borrower who graduates and is employed, and decides to return to a graduate nursing education program to pursue a doctoral degree to further their preparation as nurse faculty. During periods of deferment, interest on the loan continues to accrue at the prevailing market rate but is not required to be paid during this period. During the period of deferment, the borrower may repay the interest if they wish but is not required to do so.
3. Death and Disability: In the event of the Borrower's total and permanent disability or death, the school will cancel any remaining payments on the Note.
4. Forbearance: The school may, in its discretion, place the Borrower's NFLP loan in forbearance whenever extraordinary circumstances such as poor health or hardship temporarily affect the Borrower's ability to make scheduled loan repayments. During periods of forbearance, interest continues to accrue on the unpaid principal balance of the loan.

#### **G. Loan Servicing and Collection**

1. The school must conduct and document an entrance interview for each academic year during which the student receives an NFLP loan. This documentation must include:
  - A statement of the borrower's rights and responsibilities regarding the NFLP loan, including the service obligation and loan forgiveness (EXHIBIT B). The borrower must sign and acknowledge this statement to indicate receipt and understanding of this information.
  - Personal information provided by the borrower to assist in loan forgiveness and collection, if needed.
2. The school must provide the borrower with a repayment schedule.
3. **Exit Interview:** The Borrower agrees to attend an exit interview prior to completing or terminating student status at the school.
4. **Credit Bureaus:** The school may disclose any delinquency or default on the Borrower's loan to credit bureaus.
5. **Collection Agents, Litigation, and Withholding of Services:** If the Borrower fails to make a scheduled repayment, or fails

to comply with any other term of the Note, the school may: (a) refer the Borrower's loan to a collection agent; b) initiate legal proceedings against the Borrower; c) withhold school services from the Borrower, such as transcripts and letters of recommendation; d) refer the Borrower's loan to the Secretary for collection assistance, including offset of federal salaries; and e) pursue judicial remedies.

6. **General:** The Borrower will promptly inform the school of any change in name or address.

7. **Disclosure:** The school will provide to the Borrower a disclosure statement regarding the financial charges on the NFLP loans

(i.e., Statement of Borrower's Rights and Responsibilities, Truth-in-Lending). Schools that do not require signature of disclosure statements are urged to consult with institutional legal counsel to determine what is appropriate to the school's particular situation.

#### **H. Default by the Borrower**

If a NFLP borrower defaults on the loan, the school must immediately stop the disbursement of the NFLP loan and begin collection on the loan. Default means:

- Failure to complete the advanced nurse education program.
- Loss of the status as a student in good standing, as used by the School for the advanced nurse training program.
- Failure to become employed or maintain employment as a full-time faculty member at an accredited school of nursing. "Full-time" has the meaning used by the employing school of nursing for its faculty and may include (1) full-time faculty member at an accredited school of nursing; or (2) part-time faculty member at an accredited school of nursing in combination with another part-time faculty position or part-time clinical preceptor position affiliated with an accredited school of nursing that together equates to full-time employment. Failure to provide certification of employment will evidence default. or
- Failure to make payments as required by the NFLP borrower's Promissory Note and repayment agreement.

#### **I. Records**

1. The school must document the approval or disapproval of each NFLP loan application.

2. The school must establish and maintain an individual file for each NFLP loan recipient, including:

- The NFLP loan application;
- The school's copy of the loan notification letter;
- The original signed Promissory Note(s);
- The signed disclosure (i.e., Statement of Borrower's Rights and Responsibilities; Truth in Lending);
- All servicing and collection records, including payments, forgiveness, deferment, forbearance, or default.

3. The school must retain all records relating to an NFLP loan for a minimum of **3 years** after the loan is retired.

#### **J. Federal Non-Discrimination, Assurances, Certifications and Other Requirements**

The official of the applicant school accepts, as federal funds are allocated and paid as a result of this application, the obligation to comply with the applicable federal Non-discrimination, Assurances, Certifications and Other Requirements hereof: **ASSURANCES**

**Other Discrimination:** Attention is called to the requirements of Sec. 401 of the Health Programs Extension Act of 1973, Public Law 93-45, as amended (42 USC 300a-7), which provides that no entity which receives any award, contract, loan, loan guarantee, or interest subsidy under the PHS Act may deny admission or otherwise discriminate against any applicant (including applicants for internships and residencies) for training or study because of the applicant's reluctance or willingness to counsel, suggest, recommend, assist, or in any way participate in the performance of abortions or sterilizations contrary to, or consistent with, the applicant's religious beliefs or moral convictions.

#### **CERTIFICATIONS AND OTHER REQUIREMENTS**

**Misconduct in Science:** Each school which applies for or receives assistance under a research, research-training, or research-related program or cooperative agreement under the PHS Act must submit an annual assurance (Form PHS 6349) certifying that the school has established administrative policies as required by 42 CFR Part 93, and that it will comply with those policies and the requirements. As of January 1, 1990, Notice of Awards for programs and cooperative agreements involving research may be issued only to schools that have filed with the Office of Research Integrity (ORI), acceptable assurances for dealing with and reporting possible misconduct in science. The respective Offices will determine the status of a school by contacting ORI. **Statement of Non-Delinquency on Federal Debt:** The question applies only to the person or school requesting financial assistance, and does not apply to the person who signs an application form as the authorized representative of a school or on behalf of another person who actually receives the funds.

Examples of federal debt include delinquent taxes, audit disallowances, guaranteed or direct student loans, FHA loans, and other miscellaneous administrative debts. For purposes of this statement, the following definitions apply:

- For direct loans, a debt more than 31 days past due on a scheduled payment.
- For agents, recipients of a "Notice of Grants Cost Disallowance" who have not repaid the disallowed amount or who have not resolved the disallowance. For guaranteed and insured loans, recipients of a loan guaranteed by the Federal Government that the Federal Government has repurchased from a lender because the borrower breached the loan agreement and is in default

**Drug-Free Schools and Campuses:** The Drug-Free Schools and Communities Act Amendments of 1989, Public Law 101-226, Sec. 22, which added Sec. 1213 to the Higher Education Act, require that any public or private school of higher education (including independent hospitals conducting training programs for health care personnel), state educational agency, or local educational agency receiving federal financial assistance must certify to the Secretary of Education, as a condition for funding, that it has adopted and implemented a drug prevention program as described in regulations at 34 CFR Part 86, (55 FR 33581), August 16, 1990, as amended at 61 FR 66225, December 17, 1996. The provisions of the regulations also apply to sub-awardees that received federal funds from any federal program regardless of whether or not the primary program is an institution of higher education, state educational agency, or local educational agency.

**Bloodborne Diseases:** Section 308 of Title III of Public Law 102-408, the Health Professions Education Extension Amendments of 1992, requires that with respect to awards of programs or contracts under Title VII or VIII of the PHS Act, the Secretary of DHHS may make such an award for the provision of traineeships only if the applicant for the award provides assurances

satisfactory to the Secretary that all trainees will, as appropriate, receive instruction in the utilization of universal precautions and infection control procedures for the prevention of the transmission of bloodborne diseases.