

**§ 57.1503**

**42 CFR Ch. I (10–1–02 Edition)**

(a) All terms not defined herein shall have the same meanings as given them in section 724 of the Act.

(b) *Act* means the Public Health Service Act, as amended.

(c) *Secretary* means the Secretary of Health and Human Services and any other officer or employee of the Department of Health and Human Services to whom the authority involved may be delegated.

(d) *School* means a school of medicine, dentistry, osteopathy, pharmacy, optometry, podiatry, veterinary medicine, or public health which provides a course of study or a portion thereof which leads respectively to a degree of doctor of medicine, doctor of dental surgery or an equivalent degree, doctor of osteopathy, doctor of optometry or an equivalent degree, doctor of podiatry or an equivalent degree, bachelor of science in pharmacy or an equivalent degree, doctor of veterinary medicine or an equivalent degree, or a graduate degree in public health, and which is accredited as provided in section 721(b)(1) of the Act.

(e) *Affiliated hospital* or *affiliated outpatient facility* means a hospital or outpatient facility (as defined in section 645 of the Act) which, although not owned by such school, has a written agreement with a school of medicine, osteopathy, or dentistry eligible for assistance under subpart B of this part, providing for effective control by the school of the health professions teaching program in the hospital or outpatient facility.

(f) *Nonprofit* as applied to any school, hospital, outpatient facility, or other entity means one which is owned and operated by one or more corporations or associations no part of the net earnings of which inures, or may lawfully inure to the benefit of any private shareholder or individual.

(g) *Council* means the National Advisory Council on Health Professions Education (established pursuant to section 725 of the Act).

**§ 57.1503 Eligibility.**

(a) *Eligible applicants.* In order to be eligible for a loan guarantee or interest subsidy under this subpart, the applicant shall:

(1) Be a nonprofit private school of medicine, dentistry, osteopathy, pharmacy, optometry, podiatry, veterinary medicine, or public health, or any combination of such schools, or a nonprofit private affiliated hospital or affiliated outpatient facility: *Provided, however,* That in the case of an affiliated hospital or affiliated outpatient facility, an application which is approved by the school of medicine, osteopathy or dentistry with which the hospital or outpatient facility is affiliated and which otherwise complies with the requirements of subpart B of this part may be filed by any nonprofit private entity qualified to file an application under section 605 of the Act; and

(2) Otherwise meet the applicable requirements set forth in section 721(b) of the Act and § 57.103 with respect to eligibility for grants for construction of teaching facilities for health professions personnel.

(b) *Eligible loans.* Subject to the provisions of this subpart, the Secretary may guarantee payment, when due, of principal and interest on, or may pay interest subsidies with respect to, or may both guarantee and pay interest subsidies with respect to any loan or portion thereof made to an eligible applicant by a non-Federal lender: *Provided,* That no such guarantee or interest subsidy shall apply to any loan the interest on which is exempt from Federal income taxation.

**§ 57.1504 Application.**

Each applicant desiring to have a loan guaranteed or to have interest subsidies paid on its behalf, or any combination of such loan guarantee or interest subsidies, shall submit an application for such assistance in such form and manner and at such time as the Secretary may require.<sup>1</sup>

(a) The application shall contain or be supported by such information as the Secretary may require to enable him to make the determinations required of him under the Act and this subpart.

<sup>1</sup>Applications and instructions are available from the Division of Facilities Conversion and Utilization, Bureau of Health Maintenance Organizations and Resources Development, Parklawn Building, 5600 Fishers Lane, Rockville, MD 20857.

(b) The application shall be executed by an individual authorized to act for the applicant and to assume on behalf of the applicant the obligations imposed by the terms and conditions of any loan guarantee or agreement to pay interest subsidies, including the applicable regulations of this subpart.

[38 FR 31836, Nov. 19, 1973, as amended at 49 FR 38113, Sept. 27, 1984]

**§ 57.1505 Approval of applications.**

(a) *General.* Any application for loan guarantee or interest subsidies, or for a combination of both, may be approved by the Secretary, after consultation with the Council, only if he makes each of the applicable determinations set forth in section 721(c) of the Act. In addition:

(1) Any such approval shall be subject to compliance by the applicant with the applicable provisions set forth in §§ 57.106, 57.107, 57.108, and 57.110: *Provided however,* That for purposes of the title assurance in § 57.107(a) the period shall be not less than 20 years or the term of the guaranteed loan, whichever is longer or in the case of interim facilities, the term of the guaranteed loan, and

(2) Any such application may be approved by the Secretary only if he determines:

(i) That the applicant will have sufficient financial resources to enable him to comply with the terms and conditions of the loan;

(ii) That the applicant has the necessary legal authority to finance, construct, and maintain the proposed project, to apply for and receive the loan, and to pledge or mortgage any assets or revenues to be given as security for such loan;

(iii) That the loan will be made only with respect to the initial permanent financing of the project;

(iv) That the loan will be secured by a lien against the facilities to be constructed or against other security satisfactory to the Secretary specified in § 57.2210;

(v) That the rate of interest on the loan does not exceed such percent per annum as the Secretary determines to be reasonable, taking into account the range of interest rates prevailing in the private market for similar loans and

the risks assumed by the United States; and

(vi) Such additional determinations as the Secretary finds necessary with respect to particular applications in order to protect the financial interests of the United States.

(b) *Loan guarantees.* In addition to the requirements of paragraph (a) of this section, any application for a loan guarantee may be approved by the Secretary only if he determines that the loan with respect to which such guarantee is sought would not be available to the applicant on reasonable terms and conditions without such guarantee. To assist the Secretary in making such determination, each applicant for a loan guarantee shall submit statements from at least three non-Federal institutions normally engaged in making long-term loans for construction, describing whether, and the terms and conditions under which, each institution would make a loan to the applicant for the project described in the application.

(c) *Interest subsidies.* In addition to the requirements of paragraph (a) of this section, any application for interest subsidies may be approved by the Secretary only if he determines that without such interest subsidy payments the applicant would not, over a substantial portion of the loan term, be able to repay the principal and interest of the loan without jeopardizing the quality of the educational program.

**§ 57.1506 Priority.**

(a) Priority in approving applications for loan guarantee and/or interest subsidies shall be determined in accordance with the factors specified in section 721(d) of the Act, and the following: (1) The relative need for increased enrollment and the availability of students; (2) the relative effectiveness of the project relative to the cost to the Federal Government; and (3) the relative ability of the applicant to make efficient and productive use of the facility constructed.

(b) In the case of applications to aid in the construction of new schools of medicine, osteopathy, or dentistry, the