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(vi) American Council on Pharmaceutical Education.

(vii) Council on Education for Public Health.

(viii) American College of Veterinary Surgeons.

(ix) Council on Chiropractic Education.

(b) *Length of repayment period.* In general, a lender or holder must allow a borrower at least 10 years, but not more than 25 years, to repay a loan calculated from the beginning of the repayment period. A borrower must fully repay a loan within 33 years from the date that the loan is made.

(1) For a HEAL borrower who received any HEAL loan prior to October 22, 1985, periods of deferment (as described in § 60.12) are not included when calculating the 10 to 25 or 33 year limitations.

(2) For a borrower who receives his or her first HEAL loan on or after October 22, 1985, periods of deferment (as described in § 60.12) are included when calculating the 33 year limitation, but are not included when calculating the 10 to 25 year limitation.

(c) *Prepayment.* The borrower may prepay the whole or any part of the loan at any time without penalty.

(d) *Minimum annual payment.* During each year of repayment, a borrower's payments to all holders of his or her HEAL loans must total the interest that accrues during the year on all of the loans, unless the borrower, in the promissory note or other written agreement, agrees to make payments during any year or any repayment period in a lesser amount.

(e) *Repayment schedule agreement.* At least 30 and not more than 60 days before the commencement of the repayment period, a borrower must contact the holder of the loan to establish the precise terms of repayment. The borrower may select a monthly repayment schedule with substantially equal installment payments or a monthly repayment schedule with graduated installment payments that increase in amount over the repayment period. If the borrower does not contact the lender or holder and does not respond to contacts from the lender or holder, the lender or holder may establish a monthly repayment schedule with sub-

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stantially equal installment payments, subject to the terms of the borrower's HEAL note.

(f) *Supplemental repayment agreement.* (1) A lender or holder and a borrower may enter into an agreement supplementing the regular repayment schedule agreement. Under a supplemental repayment agreement, the 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.

(2) The purpose of a supplemental repayment agreement is to permit a lender or holder, at its option, to offer a borrower a repayment schedule based on other than equal or graduated payments. (For example, a supplemental repayment agreement may base the amount of the borrower's payments on his or her income.)

(3) The supplemental schedule must contain terms which, according to the Secretary, do not unduly burden the borrower and do not extend the Secretary's insurance liability beyond the number of years specified in paragraph (b) of this section. The supplemental schedule must be approved by the Secretary prior to the start of repayment.

(4) The lender or holder may establish a supplemental repayment agreement over the borrower's objection only if the borrower's written consent to enter into a supplemental agreement was obtained by the lender at the time the loan was made.

(5) A lender or holder may assign a loan subject to a supplemental repayment agreement only if it specifically notifies the buyer of the terms of the supplemental agreement. In such cases, the loan and the supplemental agreement must be assigned together.

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[48 FR 38988, Aug. 26, 1983, as amended at 51 FR 30644, Aug. 28, 1986; 53 FR 6097, Feb. 29, 1988; 57 FR 28794, June 29, 1992]

§ 60.12 Deferment.

(a) After the repayment period has commenced, installments of principal and interest need not be paid during any period:

(1) During which the borrower is pursuing a full-time course of study at a HEAL school or at an institution of higher education that is a "participating school" in the Guaranteed Student Loan Program;

(2) Up to 4 years during which the borrower is a participant in an accredited internship or residency program, as described in § 60.11(a)(2). For a borrower who receives his or her first HEAL loan on or after October 22, 1985, this total of 4 years for an internship or residency program includes any period of postponement of the repayment period, as described in § 60.11(a)(1);

(3) Up to 3 years during which the borrower is a member of the Armed Forces of the United States;

(4) Up to 3 years during which the borrower is in service as a volunteer under the Peace Corps Act;

(5) Up to 3 years during which the borrower is a member of the National Health Service Corps; or

(6) Up to 3 years during which the borrower is a full-time volunteer under title I of the Domestic Volunteer Service Act of 1973.

(b) For any HEAL loan received on or after October 22, 1985, after the repayment period has commenced, installments of principal and interest need not be paid during any period for up to 2 years during which the borrower is a participant in:

(1) A fellowship training program, which:

(i) Is directly related to the discipline for which the borrower received the HEAL loan;

(ii) Begins within 12 months after the borrower ceases to be a participant in an accredited internship or residency program, as described in § 60.11(a)(2), or prior to the completion of the borrower's participation in such program;

(iii) Is a full-time activity in research or research training or health care policy;

(iv) Is not a part of, an extension of, or associated with an internship or residency program, as described in § 60.11(a)(2);

(v) Pays no stipend or one which is not more than the annual stipend level established by the Public Health Service for the payment of uniform levels of financial support for trainees receiv-

ing graduate and professional training under Public Health Service grants, as in effect at the time the borrower requests the deferment; and

(vi) Is a formally established fellowship program which was not created for a specific individual; or

(2) A full-time educational activity at an institution defined by section 435(b) of the Higher Education Act of 1965 which:

(i) Is directly related to the discipline for which the borrower received the HEAL loan;

(ii) Begins within 12 months after the borrower ceases to be a participant in an accredited internship or residency program, as described in § 60.11(a)(2), or prior to the completion of the borrower's participation in such program;

(iii) Is not a part of, an extension of, or associated with an internship or residency program, as described in § 60.11(a)(2); and

(iv) Is required for licensure, registration, or certification in the State in which the borrower intends to practice the discipline for which the borrower received the HEAL program loan.

(c) (1) To receive a deferment, including a deferral of the onset of the repayment period (see § 60.11(a)), a borrower must at least 30 days prior to, but not more than 60 days prior to, the onset of the activity and annually thereafter, submit to the lender or holder evidence of his or her status in the deferment activity and evidence that verifies deferment eligibility of the activity (with the full expectation that the borrower will begin the activity). It is the responsibility of the borrower to provide the lender or holder with all required information or other information regarding the requested deferment. If written evidence that verifies eligibility of the activity and the borrower for the deferment, including a certification from an authorized official (e.g., the director of the fellowship activity, the dean of the school, etc.), is received by the lender or holder within the required time limit, the lender or holder must approve the deferment. The lender or holder may rely in good faith upon statements of the borrower and the authorized official, except where those statements or

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other information conflict with information available to the lender or holder. When those verification statements or other information conflict with information available to the lender or holder, to indicate that the applicant fails to meet the requirements for deferment, the lender or holder may not approve the deferment until those conflicts are resolved.

(2) For those activities described in paragraphs (b)(1) or (b)(2) of this section, the borrower may request that the Secretary review a decision by the lender or holder denying the deferment by sending to the Secretary copies of the application for deferment and the lender's or holder's denial of the request. However, if information submitted to the lender or holder conflicts with other information available to the lender or holder, to indicate that the borrower fails to meet the requirements for deferment, the borrower may not request a review until such conflicts have been resolved. During the review process, the lender or holder must comply with any requests for information made by the Secretary. If the Secretary determines that the fellowship or educational activity is eligible for deferment and so notifies the lender or holder, the lender or holder must approve the deferment.

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[48 FR 38988, Aug. 26, 1983, as amended at 51 FR 30644, Aug. 28, 1986; 53 FR 6097, Feb. 29, 1988; 57 FR 28795, June 29, 1992]

§ 60.13 Interest.

(a) *Rate.* At the lender's option, the interest rate on the HEAL loan may be calculated on a fixed rate or on a variable rate basis. However, whichever method is selected must continue over the life of the loan, except where the loan is consolidated with another HEAL loan.

(1) For all loans made on or after October 22, 1985, for each calendar quarter, the Secretary determines the maximum annual HEAL interest rate by determining the average of the bond equivalent rates reported for the 91-day U.S. Treasury bills auctioned for the preceding calendar quarter, adding 3 percentage points, and rounding that

amount to the next higher one-eighth of 1 percent.

(2) Interest that is calculated on a fixed rate basis is determined for the life of the loan during the calendar quarter in which the loan is executed. It may not exceed the rate determined for that quarter by the Secretary under paragraph (a)(1) of this section.

(3) Interest that is calculated on a variable rate basis varies every calendar quarter throughout the life of the loan as the market price of U.S. Treasury bills changes. For any quarter it may not exceed the rate determined by the Secretary under paragraph (a)(1) of this section.

(4) The Secretary announces the rate determined under paragraph (a)(1) of this section on a quarterly basis through a notice published in the FEDERAL REGISTER.

(b) *Compounding of interest.* Interest accrues from the date the loan is disbursed until the loan is paid in full. Unpaid accrued interest shall be compounded not more frequently than semiannually and added to principal. However, a lender or holder may postpone the compounding of interest before the beginning of the repayment period or during periods of deferment or forbearance and add interest to principal at the time repayment of principal begins or resumes.

(c) *Payment.* Repayment of principal and interest is due when the repayment period begins. A lender or holder must permit a borrower to postpone paying interest before the beginning of the repayment period or during a period of deferment or forbearance. In these cases, payment of interest begins or resumes on the date repayment of principal begins or resumes.

(d) *Usury laws.* No provision of any Federal or State law that limits the rate or amount of interest payable on loans shall apply to a HEAL loan.

[48 FR 38988, Aug. 26, 1983, as amended at 51 FR 30644, Aug. 28, 1986; 57 FR 28795, June 29, 1992]

§ 60.14 The insurance premium.

(a) *General.* (1) The Secretary insures each lender or holder for the losses of principal and interest it may incur in