

§ 57.215 Records, reports, inspection, and audit.

(a) Each Federal capital contribution and Federal capital loan is subject to the condition that the school must maintain those records and file with the Secretary those reports relating to the operation of its health professions student loan funds as the Secretary may find necessary to carry out the purposes of the Act and these regulations. A school must submit required reports to the Secretary within 45 days of the close of the reporting period.

(1) A school which fails to submit a required report for its Federal capital contribution fund within 45 days of the close of the reporting period:

- (i) Shall be prohibited from receiving new Federal capital contributions;
- (ii) Must place the revolving fund and all subsequent collections in an insured interest-bearing account; and
- (iii) May make no loan disbursements.

The above restrictions apply until the Secretary determines that the school is in compliance with the reporting requirement.

(2) A school that fails to submit a complete report within 6 months of the close of the reporting period will be subject to termination. The Secretary will provide the school with a written notice specifying his or her intention to terminate the school's participation in the program and stating that the school may request, within 30 days of the receipt of this notice, a formal hearing. If the school requests a hearing, it must within 90 days of the receipt of the notice, submit material, factual issues in dispute to demonstrate that there is cause for a hearing. These issues must be both substantive and relevant. The hearing will be held in the Washington, DC metropolitan area. The Secretary will deny a hearing if:

- (i) The request for a hearing is untimely (i.e., fails to meet the 30-day requirement);
- (ii) The school does not provide a statement of material, factual issues in dispute within the 90-day required period; or

(iii) The statement of factual issues in dispute is frivolous or inconsequential.

In the event that the Secretary denies a hearing, the Secretary will send a written denial to the school setting forth the reasons for denial. If a hearing is denied, or if as a result of the hearing, termination is still determined to be necessary, the school will be terminated from participation in the program and will be required to return the Federal share of the revolving fund to the Department. A school terminated for failure to submit a complete report within 6 months of the close of the reporting period must continue to pursue collections and may re-apply for participation in the program once it has submitted the overdue report.

(3) The school must also comply with the requirements of 45 CFR part 74 and section 798(e) of the Act concerning recordkeeping, audit, and inspection.

(b) The following student records must be retained by the school for 5 years after an individual student ceases to be a full-time student:

- (1) Approved student applications for health professions student loans;
- (2) Documentation of the financial need of applicants; and
- (3) Copy of financial aid transcript(s).

(c) The following repayment records for each individual borrower must be retained for at least 5 years from the date of retirement of a loan:

- (1) The amount and date of each loan;
- (2) The amount and date of each payment or cancellation;
- (3) Records of periods of deferment;
- (4) Date, nature and result of each contact with the borrower or proper endorser in the collection of an overdue loan;
- (5) Copies of all correspondence to or from the borrower and endorser;
- (6) Copies of all correspondence with collection agents related to the individual borrower;
- (7) Copies of all correspondence with a credit bureau related to an individual borrower; and
- (8) Copies of all correspondence relating to uncollectible loans which have been written off by the Federal Government or repaid by the school.

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(d) The school must also retain other records as the Secretary may prescribe. In all cases where questions have arisen as a result of a Federal audit, the records must be retained until resolution of all questions.

(e) Institutional officials who have information which indicates the potential or actual commission of fraud or other offenses against the United States, involving these loan funds, should promptly provide this information to the appropriate Regional Office of Inspector General for Investigations.

(Approved by the Office of Management and Budget under control number 0915-0047)

[48 FR 25070, June 3, 1983, as amended at 50 FR 34421, Aug. 23, 1985; 53 FR 46549, Nov. 17, 1988; 56 FR 19294, Apr. 26, 1991; 57 FR 45734, Oct. 5, 1992; 61 FR 6123, Feb. 16, 1996]

§ 57.216 What additional Department regulations apply to schools?

(a) Participating schools are advised that in addition to complying with the terms and conditions of these regulations, several other regulations apply under this subpart. These include, but are not limited to:

45 CFR part 76—Governmentwide Debarment and Suspension (nonprocurement) and Governmentwide Requirements for Drug-Free Workplace (Grants)

45 CFR part 80—Nondiscrimination under programs receiving Federal assistance through the Department of Health and Human Services effectuation of title VI of the Civil Rights Act of 1964

45 CFR part 83—Regulation for the administration and enforcement of sections 794 and 855 of the Public Health Service Act

45 CFR part 84—Nondiscrimination on the basis of handicap in programs and activities receiving or benefiting from Federal financial assistance

45 CFR part 86—Nondiscrimination on the basis of sex in education programs and activities receiving or benefiting from Federal financial assistance

45 CFR part 91—Nondiscrimination on the basis of age in Health and Human Services programs or activities receiving Federal financial assistance

45 CFR part 93—New Restrictions on Lobbying

(b) The recipient may not discriminate on the basis of religion in the ad-

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mission of individuals to its training programs.

[44 FR 29055, May 18, 1979, as amended at 56 FR 19294, Apr. 26, 1991; 57 FR 45734, Oct. 5, 1992; 61 FR 6123, Feb. 16, 1996]

§ 57.216a Performance standard.

On June 30, 1984, and on each June 30 thereafter, except as provided in paragraph (b) of this section, each school must have a default rate (as calculated under paragraph (a) of this section) of not more than 5 percent.

(a) 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. For this purpose:

(1) The term *defaulted principal amount outstanding* means the total amount borrowed from the loan fund of a school that has reached the repayment stage (minus any principal amount repaid or canceled) on loans in default for more than 120 days; and

(2) The term *matured loans* means the total principal amount of all loans made by a school under this subpart minus the total principal amount of loans made by the school to students who are:

(i) Enrolled in a full-time course of study at the school; or

(ii) In their grace period.

(b) Any school that has a default rate greater than 5 percent on June 30 of any year will be required to:

(1) Reduce its default rate by 50 percent (or a school with a default rate below 10 percent must reduce its rate to 5 percent) by the close of the following 6-month period; and

(2) By the end of each succeeding 6-month period, reduce its default rate to 50 percent of the required rate for the previous 6-month period, until it reaches 5 percent.

(c) Any school subject to the provisions of paragraph (b) of this section which fails to comply with those requirements will receive no new HPSL funds and will be required to:

(1) Place the revolving fund monies and all subsequent collections into an insured interest-bearing account;

(2) Make no loan disbursements; and

(3) By the end of the succeeding 6-month period, reduce its default rate to