

OHIO BOARD OF REGENTS

Agenda Item 3.5 Consideration of an increase in the maximum loan forgiveness rate from 80% to 100% in the Nurse Education Assistance Loan Program (NEALP)

RESOLUTION

WHEREAS, the State of Ohio faces a significant shortage of nurses; and

WHEREAS, the Nurse Education Assistance Loan Program (NEALP) provides forgivable loans to Ohio college students preparing for nursing careers; and

WHEREAS, the forgiveness provision of the Nurse Education Assistance Loan Program creates an incentive for students to enter the nursing profession; and

WHEREAS, increasing the NEALP forgiveness provision from 80% to 100% increases the attractiveness of the Program and reduces a student's overall educational loan indebtedness; and

WHEREAS, administrative authority for the Nurse Education Assistance Loan Program is vested in the Board of Regents by Section 3333.28 of the Ohio Revised Code;

NOW, THEREFORE,

BE IT RESOLVED: upon the recommendation of the Chancellor and with the concurrence of the Initiatives Committee of the Ohio Board of Regents, the maximum loan forgiveness rate in the Nurse Education Assistance Loan Program shall be increased from 80% to 100% (20% for each year of qualifying service for a maximum of five years).

BACKGROUND

Proposed Change in Administrative Rules for the Nurse Education Assistance Loan Program (NEALP)

The Nurse Education Assistance Loan Program (NEALP) provides financial assistance to students enrolled in approved nurse education programs in Ohio colleges, universities, hospital schools of nursing and vocational schools. This program is funded through a surcharge on the licensure renewal fee paid by all practicing Ohio nurses. These fees generate biennial revenue of approximately \$800,000. In the 2000-2001 academic year, 232 students received assistance from this program.

Students may borrow a maximum of \$3000 per year for up to four years. After graduation, a borrower may qualify for loan forgiveness at a rate of 20% per year for up to four years if the borrower is employed in the clinical practice of nursing in the State of Ohio. Borrowers who do not enter the nursing profession in Ohio must repay the entire loan with interest. Under current regulations, all borrowers must repay at least 20% of the loan.

In light of a significant nursing shortage in Ohio and the need to attract more Ohioans into the nursing profession, the Ohio Board of Nursing and the NEALP Advisory Committee have recommended a rule change which will provide 100% loan forgiveness -- 20% per year for up to five years of service in the clinical practice of nursing. This change will make the Nurse Education Assistance Loan Program more attractive to students who are considering the nursing profession and will assist in reducing the growing loan indebtedness faced by many college students today.

Attachment: Regents Rule 3333-1-22 (Nurse Education Assistance Loan Program) with proposed changes.

Ohio Board of Regents

3333-1-22

Nurse Education Assistance Loan Program

(A) Intent and authority

- (1) It is the intent of the Board of Regents in promulgating this rule to establish and administer a Nurse Education Assistance Loan Program which will provide financial assistance to eligible students while providing an incentive for these students to engage in the practice of nursing in the State of Ohio upon completion of their academic programs.
- (2) This rule is adopted under the authority conferred upon the Board of Regents by Section 3333.28 of the Revised Code.

(B) Definitions

For purposes of this rule:

- (1) A "loan" shall mean the total principal amount of all Nurse Education Assistance Loan Program funds awarded to a student plus interest assessed by the Board of Regents.
- (2) An "approved nurse education program" shall mean a prelicensure nurse education program offered by an institution which is approved by the Ohio Board of Nursing under section 4723.06 of the Revised Code or a postlicensure nurse education program approved by the Board of Regents under Section 3333.04 of the Revised Code or offered by an institution holding a certificate of authorization issued by the Board of Regents under Chapter 1713. of the Revised Code.
- (3) An "institution" shall mean a hospital school of nursing, or a non-profit college, university or vocational school which offers an approved nurse education program.
- (4) An "Ohio resident" shall mean any person who meets the requirements of Ohio Board of Regents' Rule 3333-1-10 of the Administrative Code. Verification of Ohio residency for these purposes shall be provided by the institution in which the student is enrolled. Institutions shall provide students with a fair and adequate opportunity to present proof of their Ohio residency.
- (5) "Half-time enrollment" shall mean an academic course load which is at least one-half of the normal full-time course load as determined by the institution in which the student is enrolled.

- (6) "Educational expenses" shall mean charges assessed by the student's institution for instructional and general fees ("tuition"), laboratory fees, books and supplies, room and board, transportation, and other miscellaneous expenses.
- (7) "Expected family contribution" shall mean the measure of a student's or a family's ability to contribute to the cost of education from the student's or the family's financial resources. An expected family contribution for these purposes shall be calculated by means of a federally approved need analysis formula designated by the Board of Regents.
- (8) The "direct clinical practice of nursing" shall mean full-time employment in an occupation which requires licensure by the Ohio Board of Nursing and in which the employee is required to apply the knowledge and skills gained in her or his nurse education program.
- (9) A "deferment" is an agreement between the borrower and the Board of Regents which authorizes the borrower to temporarily stop performance of the service obligation or repayment of the loan during specified periods of time. No interest shall accrue during any deferment period.
- (10) "Total service obligation" shall mean a period of ~~four~~ FIVE consecutive years following completion of the approved nurse education program during which time the borrower is employed in the clinical practice of nursing in the State of Ohio.
- (11) The "designated agency" shall mean a public agency or private firm which provides services to the Board of Regents, under a contractual agreement, for the processing of loans which are in repayment, delinquent or in default.

(C) Eligibility requirements

To be eligible to receive a Nurse Education Assistance Loan a student must:

- (1) Be an Ohio resident.
- (2) Be a citizen, a national, or a permanent resident of the United States; or be in the United States for other than a temporary purpose and intend to become a permanent resident; or be a permanent resident of the Trust Territory of the Pacific Islands or the Northern Mariana Islands.
- (3) Be enrolled in or be accepted for enrollment in an approved nurse education program for at least half-time study. The Board of Regents may require documentary evidence

of compliance with this requirement.

- (4) Provide an expected family contribution value which has been determined in accordance with paragraph (B) (7) of this rule.
- (5) Show evidence of an intention to engage in the direct clinical practice of nursing in the State of Ohio upon completion of her or his academic program.
- (6) Not owe a refund to, or be in default on, any state educational loan program or any federal educational loan or grant program covered under Title IV of the Higher Education Act, as amended.

(D) Application procedures

- (1) Application forms shall be developed and distributed by the Board of Regents. Completed application forms shall be submitted to the Board of Regents for processing.
- (2) The Board of Regents shall establish and disseminate a timetable for application and loan processing.
- (3) The applicant is responsible for completion of an application / promissory note. A statement of rights and responsibilities must also be signed prior to the disbursement of loan funds. By signing the application / promissory note, the borrower promises to repay the loan in accordance with conditions set forth in the document.
- (4) If an applicant is under the age of eighteen or has not established a favorable credit record, the Board of Regents may ask that the applicant seek a comaker in the making of a loan. The inability to secure a comaker will not, however, preclude any applicant from consideration.
- (5) Each applicant shall be required to report an expected family contribution on the application form. The calculation of a family contribution requires the completion of a federally approved need analysis application prior to completion of the Nurse Education Assistance Loan application. Documentation of the family contribution must be provided.

(E) Awarding loans

- (1) Each year the Board of Regents shall determine the number of loans which are available to be awarded. Available loans shall be apportioned by professional category in the following manner:

- (a) Fifty percent of available loan funds shall be awarded to prelicensure professional nursing students. This category does not include licensed practical nurses.
 - (b) Twenty-five percent of available loan funds shall be awarded to practical nursing students.
 - (c) Twenty-five percent of available loan funds shall be awarded to continuation students. This category includes LPNs enrolled in approved prelicensure professional nursing education programs, postlicensure RNs enrolled in approved baccalaureate nursing programs and postlicensure RNs enrolled in approved graduate programs.
- (2) If sufficient applications are not received to fully meet the established categorical apportionment of available loan funds, remaining loan funds shall be awarded without regard to category on the basis of relative financial need as evidenced by the expected family contribution.
 - (3) If sufficient funds are available, as determined by the Board of Regents, loan assistance will be awarded to all eligible applicants. If available funds are not sufficient to award loans to all eligible applicants, as determined by the Board of Regents, all eligible applications received prior to the established deadline will be ranked within each category on the basis of relative financial need as evidenced by the expected family contribution with preference given to the lowest expected family contribution in the awarding of loans. The Board of Regents may consider other factors in the ranking of applications.
 - (4) The maximum annual loan amount for each student shall be determined by the Board of Regents and shall not exceed three thousand dollars. In determining the annual amount of each loan, the Board shall consider the student's educational expenses, the expected family contribution and other financial aid awarded to the student. Loans may be awarded for a maximum of twelve (12) quarters or eight semesters or the equivalent. The total aggregate loan amount shall not exceed twelve thousand dollars.
- (F) Loan disbursement
- (1) If the applicant has not been accepted into an approved nurse education program at the time of application for the loan, documentary evidence must be provided by the applicant of such acceptance before the loan is disbursed.

- (2) After completion of the application / promissory note and statement of rights and responsibilities, and upon receipt of eligibility verification, the Board of Regents shall disburse the funds to the borrower's institution to cover educational expenses. Disbursements are co-payable to the applicant and the institution.
- (3) Loan benefits shall not be disbursed during any term in which the borrower is not in good academic standing as defined by her or his institution. A borrower who is not in good academic standing shall be required to bring her or his academic record up to the required standard within two academic terms or the loan shall go into repayment.
- (4) The loan shall be disbursed in equal portions over two or three terms of the academic year.

(G) Influence of other awards

The receipt of a Nurse Education Assistance Loan shall not affect a student's eligibility for assistance, or the amount of that assistance, granted under section 3333.12, 3333.26, 3333.27, 5910.03, 5910.032 or 5919.43 of the Revised Code.

(H) Loan renewal

- (1) A loan may be renewed for a maximum of three years following the year in which the initial loan is made. To qualify for loan renewal, the borrower must continue to meet all eligibility requirements set forth in paragraph (D) of this rule and must maintain an academic record which places her or him in good academic standing as defined by the institution.
- (2) Completion of an application / promissory note is required each year for loan renewal.
- (3) The Ohio Board of Regents shall, in consultation with the Ohio Board of Nursing, determine a reasonable percentage of funds to be held in reserve in order to provide loan renewals for continuing students.

(I) Loan forgiveness

- (1) After graduation from an approved nurse education program, the borrower may be eligible for debt cancellation at a rate of twenty percent per year, for a maximum of ~~four~~ FIVE years, for each year in which the borrower is employed full-time in the direct clinical practice of nursing in the State of Ohio. ~~Loan forgiveness shall not exceed eighty percent of the loan amount.~~

- (2) To qualify for loan forgiveness the borrower must secure full-time employment in the direct clinical practice of nursing in Ohio within a period not to exceed six months following graduation from the approved nurse education program.
- (3) While fulfilling the service obligation, the borrower shall be required to provide periodic evidence of full-time employment as required by the Board of Regents.
- (4) A deferment of the service obligation may be granted for up to one year for any circumstances which constitute an unusual hardship, as judged by the Board of Regents. These circumstances may include serious illness, pregnancy, disability, inability to secure employment or involuntary termination of employment.
- (5) Borrowers who do not complete an approved nurse education program are not eligible for loan forgiveness and must repay the loan in full, plus interest.

(J) Repayment

- (1) The Board of Regents shall have the authority to enter into a contractual agreement with a public or private agency for services needed to manage the repayment of nurse education assistance loans and the collection of delinquent or defaulted loans.
- (2) The interest rate on the loan shall be set by the Board of Regents.
- (3) Repayment of the principal amount of the loan and interest shall be deferred during the following periods:
 - (a) while the borrower is enrolled in an approved nurse education program, provided that the borrower continues to meet all eligibility requirements;
 - (b) while the borrower is seeking employment to fulfill the service obligation, during a period not to exceed six months;
 - (c) while the borrower is fulfilling the service obligation;
 - (d) during a period not to exceed one calendar year, after which time a borrower has failed the state nursing licensing examination for the first time. This deferment period shall end thirty days after the borrower passes the state nursing licensing examination on the second attempt. If the borrower fails to pass the state nursing licensing examination on the second attempt, the loan plus interest shall go into repayment immediately;

- (e) during an authorized deferment.
 - (4) Repayment of the outstanding principal amount of the loan plus interest shall be made to the Board of Regents or the designated agency and shall begin on the occasion of one or more of the following events:
 - (a) the borrower drops out of school without an approved deferment;
 - (b) the borrower is not in good academic standing for more than two consecutive terms;
 - (c) the borrower drops out of the approved nurse education program;
 - (d) the borrower fails to complete the total service obligation.
 - ~~(e) the borrower completes the total service obligation.~~
 - (5) The terms of repayment, including the length of the repayment period and the date on which the first payment is due, shall be agreed upon by the borrower and the Board of Regents or the designated agency and shall be set forth in a disclosure statement. The disclosure statement shall also include the total amount of interest owed on the loan.
 - (6) The total repayment period shall not exceed ten years.
 - (7) The minimum monthly repayment amount shall be determined by the Board of Regents.
- (K) Delinquency and default
- (1) A borrower is delinquent when a loan payment is a minimum of thirty days late. The Board of Regents or the designated agency shall use diligent efforts to collect on a delinquent loan and may seek assistance from the office of the Ohio Attorney General.
 - (2) A loan is considered to be in default when it is one hundred twenty days delinquent. A loan which is in default shall be declared due in full and the borrower shall be disqualified from any debt cancellation benefits. The Board of Regents or the designated agency shall use diligent efforts to collect on a loan which is in default and may seek assistance from the office of the Ohio Attorney General.
- (L) Cancellation
- (1) The entire debt or service obligation shall be canceled if:

- (a) the borrower dies, or
- (b) the borrower becomes totally and permanently disabled and the borrower provides a statement from a licensed physician verifying this condition.

(M) Promoting the program

The Board of Regents shall promote public awareness of the Nurse Education Assistance Loan Program by disseminating information to high school guidance offices, college financial aid offices and community service agencies. In addition, special efforts shall be made to promote the program and the nursing profession among groups who have been historically underrepresented in nursing careers.

Review date August 21, 2005

Effective August 21, 2000

Certification _____

Date August 10, 2000

Promulgated under: Ch. 119

Rule amplified: Section 3333.28

Rule authorized by Section 3333.28