§ 386.43 What are the consequences of a scholar’s failure to meet the terms and conditions of a scholarship agreement?

In the event of a failure to meet the terms and conditions of a scholarship agreement or to obtain a deferral or an exception as provided in §386.41, the scholar shall repay all or part of the scholarship as follows:

(a) **Amount.** The amount of the scholarship to be repaid is proportional to the employment obligation not completed.

(b) **Interest rate.** The Secretary charges the scholar interest on the unpaid balance owed in accordance with 31 U.S.C. 3717.

(c) **Interest accrual.** (1) Interest on the unpaid balance accrues from the date the scholar is determined to have entered repayment status under paragraph (e) of this section.

(2) Any accrued interest is capitalized at the time the scholar’s repayment schedule is established.

(d) **Collection costs.** Under the authority of 31 U.S.C. 3717, the Secretary may impose reasonable collection costs.

(e) **Repayment status.** A scholar enters repayment status on the first day of the first calendar month after the earliest of the following dates, as applicable:

(1) The date the scholar informs the Secretary he or she does not plan to fulfill the employment obligation under the agreement.