

the Secretary for approval, an annual default management plan, that shall specify the detailed short-term and long-term procedures that such institution will have in place to minimize defaults on loans to borrowers under this subpart. Under such plan the institution shall, among other measures, provide an exit interview to all borrowers that includes information concerning repayment schedules, loan deferments, forbearance, and the consequences of default.

**(3) High-risk rate**

**(A) In general**

With respect to an eligible borrower seeking to obtain a loan for attendance at an eligible institution that has a default rate of in excess of 10 percent but not to exceed 20 percent—

(i) such borrower shall be assessed a risk-based premium in an amount equal to 8 percent of the principal amount of the loan; and

(ii) such institution shall be assessed a risk-based premium in an amount equal to 10 percent of the principal amount of the loan.

**(B) Default management plan**

An institution of the type described in subparagraph (A) shall prepare and submit to the Secretary for approval a plan that meets the requirements of paragraph (2)(B).

**(4) Ineligibility**

An individual shall not be eligible to obtain a loan under this subpart for attendance at an institution that has a default rate in excess of 20 percent.

**(c) Reduction of risk-based premium**

Lenders shall reduce by 50 percent the risk-based premium to eligible borrowers if a credit worthy parent or other responsible party co-signs the loan note.

**(d) Administrative waivers**

**(1) Hearing**

The Secretary shall afford an institution not less than one hearing, and may consider mitigating circumstances, prior to making such institution ineligible for participation in the program under this subpart.

**(2) Exceptions**

In carrying out this section with respect to an institution, the Secretary may grant an institution a waiver of requirements of paragraphs (2) through (4) of subsection (b) if the Secretary determines that the default rate for such institution is not an accurate indicator because the volume of the loans under this subpart made by such institution has been insufficient.

**(3) Transition for certain institutions**

During the 3-year period beginning on October 13, 1992—

(A) subsection (b)(4) shall not apply with respect to any eligible institution that is a Historically Black College or University; and

(B) any such institution that has a default rate in excess of 20 percent, and any eligible

borrower seeking a loan for attendance at the institution, shall be subject to subsection (b)(3) to the same extent and in the same manner as eligible institutions and borrowers described in such subsection.

**(e) Payoff to reduce risk category**

An institution may pay off the outstanding principal and interest owed by the borrowers of such institution who have defaulted on loans made under this subpart in order to reduce the risk category of the institution.

(July 1, 1944, ch. 373, title VII, § 708, as added Pub. L. 102-408, title I, § 102, Oct. 13, 1992, 106 Stat. 2004.)

**Editorial Notes**

**PRIOR PROVISIONS**

A prior section 292g, act July 1, 1944, ch. 373, title VII, § 707, as added Oct. 12, 1976, Pub. L. 94-484, title II, § 205, 90 Stat. 2249; amended Aug. 1, 1977, Pub. L. 95-83, title III, § 307(r), 91 Stat. 395, related to delegation of authority by the Secretary, prior to the general revision of this subchapter by Pub. L. 102-408.

Another prior section 292g, act July 1, 1944, ch. 373, title VII, § 708, as added July 30, 1956, ch. 779, § 2, 70 Stat. 720; amended Oct. 5, 1961, Pub. L. 87-395, § 8(d), 75 Stat. 827; Sept. 24, 1963, Pub. L. 88-129, § 2(a), 77 Stat. 164, prohibited Federal interference with administration of institutions where grants were made for construction of health research facilities, prior to repeal by Pub. L. 94-484, title II, § 201(a), Oct. 12, 1976, 90 Stat. 2246.

A prior section 708 of act July 1, 1944, was classified to section 292h of this title prior to the general revision of this subchapter by Pub. L. 102-408.

**Statutory Notes and Related Subsidiaries**

**EFFECTIVE DATE**

Section effective Jan. 1, 1993, and until such date, former section 294e(c) of this title, as in effect on the day before Oct. 13, 1992, to continue in effect in lieu of this section, see section 103 of Pub. L. 102-408, set out as a note under section 292 of this title.

**§ 292h. Office for Health Education Assistance Loan Default Reduction**

**(a) Establishment**

The Secretary shall establish, within the Division of Student Assistance of the Bureau of Health Professions, an office to be known as the Office for Health Education Assistance Loan Default Reduction (in this section referred to as the "Office").

**(b) Purpose and functions**

It shall be the purpose of the Office to achieve a reduction in the number and amounts of defaults on loans guaranteed under this subpart. In carrying out such purpose the Office shall—

(1) conduct analytical and evaluative studies concerning loans and loan defaults;

(2) carry out activities designed to reduce loan defaults;

(3) respond to special circumstances that may exist in the financial lending environment that may lead to loan defaults;

(4) coordinate with other Federal entities that are involved with student loan programs, including—

(A) with respect to the Department of Education, in the development of a single stu-

dent loan application form, a single student loan deferment form, a single disability form, and a central student loan database; and

(B) with respect to the Department of Justice, in the recovery of payments from health professionals who have defaulted on loans guaranteed under this subpart; and

(5) provide technical assistance to borrowers, lenders, holders, and institutions concerning deferments and collection activities.

**(c) Additional duties**

In conjunction with the report submitted under subsection (b), the Office shall—

(1) compile, and publish in the Federal Register, a list of the borrowers who are in default under this subpart; and

(2) send the report and notices of default with respect to these borrowers to relevant Federal agencies and to schools, school associations, professional and specialty associations, State licensing boards, hospitals with which such borrowers may be associated, and any other relevant organizations.

**(d) Allocation of funds for Office**

In the case of amounts reserved under section 292i(a)(2)(B) of this title for obligation under this subsection, the Secretary may obligate the amounts for the purpose of administering the Office, including 7 full-time equivalent employment positions for such Office. With respect to such purpose, amounts made available under the preceding sentence are in addition to amounts made available to the Health Resources and Services Administration for program management for the fiscal year involved. With respect to such employment positions, the positions are in addition to the number of full-time equivalent employment positions that otherwise is authorized for the Department of Health and Human Services for the fiscal year involved.

(July 1, 1944, ch. 373, title VII, § 709, as added Pub. L. 102-408, title I, § 102, Oct. 13, 1992, 106 Stat. 2006; amended Pub. L. 105-392, title I, § 141(b), Nov. 13, 1998, 112 Stat. 3579.)

**Editorial Notes**

**PRIOR PROVISIONS**

A prior section 292h, act July 1, 1944, ch. 373, title VII, § 708, as added Oct. 12, 1976, Pub. L. 94-484, title II, § 206, 90 Stat. 2250; amended Aug. 1, 1977, Pub. L. 95-83, title III, § 307(a), 91 Stat. 389; Nov. 9, 1978, Pub. L. 95-623, § 12(a), 92 Stat. 3457; Dec. 11, 1980, Pub. L. 96-511, § 4(c), 94 Stat. 2826; Aug. 13, 1981, Pub. L. 97-35, title XXVII, § 2719, 95 Stat. 914; Oct. 22, 1985, Pub. L. 99-129, title II, § 220(b), 99 Stat. 543; Nov. 4, 1988, Pub. L. 100-607, title VI, §§ 616(c)(1), 626, 102 Stat. 3139, 3144; Nov. 18, 1988, Pub. L. 100-690, title II, § 2615(a), 102 Stat. 4239; Aug. 16, 1989, Pub. L. 101-93, § 5(m), 103 Stat. 613, related to health professions data, prior to the general revision of this subchapter by Pub. L. 102-408. See section 295k of this title.

Another prior section 292h, act July 1, 1944, ch. 373, title VII, § 709, as added July 30, 1956, ch. 779, § 2, 70 Stat. 720; amended Sept. 24, 1963, Pub. L. 88-129, § 2(a), 77 Stat. 164; Nov. 18, 1971, Pub. L. 92-157, title I, § 102(k)(2)(C), 85 Stat. 437, provided for issuance of general, administrative, and other regulations for implementation of grants for construction of health research facilities, prior to repeal by Pub. L. 94-484, title II, § 201(a), Oct. 12, 1976, 90 Stat. 2246.

A prior section 709 of act July 1, 1944, was classified to section 292i of this title prior to repeal by Pub. L. 97-35, title XXVII, § 2720(a), Aug. 13, 1981, 95 Stat. 915.

**AMENDMENTS**

1998—Subsec. (b). Pub. L. 105-392 inserted “and” at end of par. (4)(B), substituted a period for “; and” at end of par. (5), and struck out par. (6) which read as follows: “prepare and submit a report not later than March 31, 1993, and annually, thereafter, to the Committee on Labor and Human Resources of the Senate and the Committee on Energy and Commerce of the House of Representatives concerning—

“(A) the default rates for each—

“(i) institution described in section 292o(1) of this title that is participating in the loan programs under this subpart;

“(ii) lender participating in the loan program under this subpart; and

“(iii) loan holder under this subpart;

“(B) the total amounts recovered pursuant to section 292f(b) of this title during the preceding fiscal year; and

“(C) a plan for improving the extent of such recoveries during the current fiscal year.”

**§ 292i. Insurance account**

**(a) In general**

**(1) Establishment**

There is hereby established a student loan insurance account (in this section referred to as the “Account”) which shall be available without fiscal year limitation to the Secretary for making payments in connection with the collection and default of loans insured under this subpart by the Secretary.

**(2) Funding**

(A) Except as provided in subparagraph (B), all amounts received by the Secretary as premium charges for insurance and as receipts, earnings, or proceeds derived from any claim or other assets acquired by the Secretary in connection with his operations under this subpart, and any other moneys, property, or assets derived by the Secretary from the operations of the Secretary in connection with this section, shall be deposited in the Account.

(B) With respect to amounts described in subparagraph (A) that are received by the Secretary for fiscal year 1993 and subsequent fiscal years, the Secretary may, before depositing such amounts in the Account, reserve from the amounts each such fiscal year not more than \$1,000,000 for obligation under section 292h(d) of this title.

**(3) Expenditures**

All payments in connection with the default of loans insured by the Secretary under this subpart shall be paid from the Account.

**(b) Contingent authority for issuance of notes or other obligations**

If at any time the moneys in the Account are insufficient to make payments in connection with the collection or default of any loan insured by the Secretary under this subpart, the Secretary of the Treasury may lend the Account such amounts as may be necessary to make the payments involved, subject to the Federal Credit Reform Act of 1990 [2 U.S.C. 661 et seq.].

(July 1, 1944, ch. 373, title VII, § 710, as added Pub. L. 102-408, title I, § 102, Oct. 13, 1992, 106