

Nurse Faculty Loan Program (NFLP)

Administrative Guidelines

Authority: Public Health Service Act Sections 846A (42 U.S.C. 297n-1) and 847(f) (42 U.S.C. 297o(f)).

Revised September 6, 2017



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A. INTRODUCTION

1. Program Purpose: The purpose of the NFLP program is to increase the number of qualified nursing faculty by providing funding to accredited schools of nursing to offer loans to students in advanced education nursing degree programs who are committed to become nurse faculty. Schools (herein referenced as institutions) are required to comply with and adhere to the terms and conditions of the NFLP award. The institution is required to manage the loan fund and produce nurse faculty, consistent with the legislative authority, and other applicable requirements.
2. Program Requirements:
 - Establish and maintain a student loan fund;
 - Contribute an amount equal to not less than one-ninth the Federal award amount (hereafter referred to as the Federal capital contribution);
 - Provide loans from the fund only to students pursuing a course of study in an advanced education nursing degree program that prepares the individual to become nurse faculty;
 - Provide cancellation of up to 85 percent of any such loan (plus interest thereon) according to the prescribed schedule as outlined in the Agreement to Participate in the Nurse Faculty Loan Program; and
 - Collect on principal and interest on all loans made from the above NFLP student loan fund.
3. Program Background: The Nurse Faculty Loan Program (NFLP) is a Health Resources and Services Administration (HRSA) nursing loan program, under the auspices of the Bureau of Health Workforce (BHW), Division of Nursing and Public Health (DNPH). This program is authorized by Public Health Service Act Sections 846A (42 U.S.C. 297n-1) and 847(f) (42 U.S.C. 297o (f)), available for reference at <http://legcounsel.house.gov/Comps/PHSA-merged.pdf>.
4. Administrative Guidelines Purpose: This document is intended to provide programmatic guidance to institutions on how to manage and administer the NFLP loan fund, including loan provision, cancellation, collection, tracking and record keeping. It should be read in conjunction with the Notice of Funding Opportunity (NOFO) and the Notice of Award.

B. ESTABLISHMENT AND MAINTENANCE OF A LOAN FUND ACCOUNT

1. Establish and maintain a student loan fund: The establishment of an NFLP student loan fund by the institution provides for deposit in the fund of the (i) Federal capital contributions/FCC (federal award) paid, (ii) Institutional capital contributions/ICC (an additional amount from the school equal to not less than one-ninth of such Federal capital contributions), (iii) collections of principal and interest on loans made from the fund, and (iv) any other earnings of the fund.
2. PMS Draw Down: Institutions should draw down the Federal award disbursed from the Payment Management System (PMS) and deposit the entire award into their institutional

interest bearing revolving loan fund account within 60 days from the receipt of the award. Deadline for PMS draw down is the end of the budget period in which the award was made.

3. Loan Fund Procedures: Institutions should follow their internal policies, in compliance with HRSA guidance and HHS grants regulations, when managing the NFLP loan fund. Accounting, auditing, collections, record keeping, and other account-related procedures should be established, well documented and implemented according to institutional and HRSA guidance and HHS grants regulations.
4. NFLP Loan Fund Use: The loan fund shall be used only for loans to students of the institution, and for costs of collection of such loans and interest.

NFLP Loan Fund Balance: Institutions are permitted to retain the NFLP loan fund balance in the revolving institutional loan fund account and must continue to disburse funds through the current budget/project period. When the Program Office approves the NFLP performance report for the reporting period, institutions will be permitted to retain the loan fund balance as reported. Institutions are encouraged to review the cash balance in their NFLP loan fund on an annual basis.

C. LOAN FUND PROVISION TO STUDENTS

1. Provision of Loans: Institutions should provide loans from the fund only to full-time/part-time students pursuing a course of study in an advanced education nursing degree program that prepares the individual to become nurse faculty. Students selected for the NFLP loan fund should be committed to completing the course of study and becoming nurse faculty post-graduation.
2. Eligibility for Loan Funds: Institutions should determine that students are eligible prior to provision of loans. Eligible borrowers must be
 - Enrolled full-time or part-time in an advanced education nursing degree program (as defined in Section 811(b) of the Public Health Service Act),
 - In good academic standing (as determined by the institution), and;
 - A citizen of the United States, a non-citizen national, or a foreign national having in his/her possession a visa permitting permanent residence in the United States, the District of Columbia, Guam, the Commonwealth of Puerto Rico, the Northern Mariana Islands, American Samoa, the U.S. Virgin Islands, the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

According to federal law 28 U.S.C. 3201(e), students are ineligible to receive a NFLP loan if a judgment lien has been entered against the debtor's [property](#) for a debt to the [United States](#)

3. Loan Disbursements: Institutions determine the number and the amount of loans disbursed to borrowers. Institutions may disburse loan funds according to internal institutional policies; however, disbursements must be clearly documented. Institutions are required to report NFLP loan disbursements annually when the NFLP annual performance report is completed and submitted to HRSA. Institutions must establish a process to:

- Identify prospective student borrowers
 - Verify their eligibility per terms of the NOFO
 - Make loans consistent with institutional policies and federal laws and regulations, to include:
 - Signed promissory note (sample **EXHIBIT A**)
 - Disclosure of terms/conditions (sample **EXHIBIT B**)
4. Maximum NFLP Loan Support Duration: NFLP borrowers are not eligible to receive NFLP loan support beyond the maximum five years, to include multiple institutions or locations. Institutions must perform due diligence to ensure that their NFLP borrowers have not received the loan beyond the five years maximum limit.
 5. NFLP Loan Support: NFLP loan amounts to a student borrower must not exceed \$35,500 for an academic year. Institutions must inform NFLP borrowers that funds are subject to availability, and the borrower maintaining good academic standing. Institutions may offer full or partial support for the amount requested by the borrower to cover the cost of tuition, fees, books, laboratory expenses and other reasonable education expenses. Institutions should prioritize loans to continuing NFLP borrowers ahead of new NFLP borrowers.
 6. Multiple Program Support to Borrowers: NFLP borrowers may receive support from other federal programs, in addition to NFLP support, if the funds are not used to cover the same costs during the same academic year.
 7. Leave of Absence from Program: Institutions may approve and grant a temporary leave of absence to borrowers of NFLP loan funds according to their internal student enrollment and leave policies, upon a determination that there is a reasonable expectation that the borrower will return to the institution. Students who do not return from a leave of absence will enter repayment status according to institutional policies. An approved Leave of Absence should not be considered a breach of the NFLP Promissory Note by the borrower.
 8. Ceasing NFLP Loan Disbursements: Schools must cease disbursements of NFLP Loan Funds to Borrowers in situations including:
 - Withdrawal from the institution/course of study
 - Failure to meet the academic standards of the institution
 - Request to terminate NFLP participation
 - Maximum of five years of NFLP loan support

Full guidance on loan repayment by student borrowers and collections by the institution appears in **Section E** below.

9. Exit Process: Institutions must establish and maintain a process to inform and track borrowers' employment and repayment statuses after completion or cessation of the course of study. Institutions may document the exit process with NFLP borrowers using an Exit Interview form (sample **EXHIBIT I**).

D. LOAN CANCELLATION

1. Loan Cancellation Provision: The NFLP is a loan program, which authorizes the lending institution to cancel up to 85 percent of the NFLP loan (plus interest thereon) for borrowers of the loan. Institutions may cancel loans for NFLP borrowers who serve as full-time nurse faculty for up to a consecutive four-year period at an accredited school of nursing following graduation. The School of Nursing (lending institution) shall cancel the following for NFLP borrowers:
 - 20% of the principal and the interest on the amount of the unpaid loan balance upon completion of each of the first, second, and third year of full-time faculty employment; and
 - 25% of the principal and the interest on the amount of the unpaid loan balance upon completion of the fourth year of full-time faculty employment.
 - *Example 1: If the borrower is employed as full-time nurse faculty for 4 consecutive years following graduation from the program, the principal and interest on the unpaid balance of the loan will be cancelled at the end of each year; 20 percent for the first, second and third years and 25 percent for the fourth. The lending institution must establish a repayment schedule for the borrower to begin repayment of the remaining 15% of unpaid principal, plus interest accrued (at 3% per annum).*
 - *Example 2: If a borrower is employed full-time as nurse faculty for 2 consecutive years following graduation and ceases employment in the third year, 20 percent of the unpaid principal and interest will be cancelled at the end of each of the first and second years. However, the borrower may NOT request cancellation of unpaid principal and interest in the third year. The lending institution must establish a repayment schedule and the borrower must begin repayment of the remaining unpaid principal and interest according to the institutional collection policies, at the prevailing market rate.*

IMPORTANT NOTE: If the lending institution cancels the borrower's NFLP loan for the maximum portion (up to 85 percent) of the principal amount of the loan and interest, the remaining amount (15 percent) of the unpaid loan balance continues to bear a per annum 3% interest and is repayable in equal or graduated periodic installments over the remaining repayment period (which as per PHS Act section 846A(c)(5) shall be the 10 year period that begins 9 months after the course of study ends). If the borrower is only able to receive partial cancellation for 1, 2 or 3 years of employment (i.e. a total cancellation of 20%, 40%, or 60%) of the principal amount of the loan and interest, the remaining amount of the unpaid loan balance will start to accrue per annum interest at the prevailing market rate, and repayment will be initiated according to the institutional collection policies. Such a balance is repayable in equal or graduated periodic installments over the remaining repayment period. The Promissory Note, which specifies the terms and conditions of the NFLP loan, binds the borrower to their repayment obligation and states the provisions for loan cancellation and collection. NFLP borrowers are responsible for requesting loan cancellation, which postpones their requirement for payment installations.

2. Grace Period to Obtain Employment: NFLP borrowers are allowed up to 12 months to gain employment following graduation from their course of study. The allowance period

goes beyond the grace period for repayment (9 months), and provides the borrowers additional time to meet their service obligation and receive loan cancellation. Loan repayment must officially start after the 9th month, but the institutions should administer the repayment for the grace period (10th, 11th, & 12th months) according to internal policies developed for this purpose.

3. Nurse Faculty Employment: “Nurse Faculty” is defined as an academic educator (faculty) or a clinical educator/instructor role at an accredited school of nursing, or a clinical educator/preceptor role at an accredited health facility. For NFLP graduates, “Full-time” nurse faculty employment is designated by the lending institution. Full time employment status may include: being employed as a full-time faculty member in an accredited school of nursing, being employed as a part-time faculty member at an accredited school of nursing in combination with another part-time faculty position or a part-time clinical educator/preceptor position at an accredited health facility, affiliated with an accredited school of nursing that together equates to full-time employment. See examples below:
 - *1 Full-time Faculty position (tenure or non-tenure track) = 1 Full-time employment status*
 - *1 Part-time faculty position (adjunct faculty/clinical instructor/part-time faculty) + 1 Part-time faculty position = 1 Full-time employment status*
 - *1 Part-time faculty position + 1 Clinical educator position (clinical educator, clinical preceptor) = 1 Full-time employment status*

4. Loan Cancellation Process: Institutions must cancel loan funds for borrowers who obtain employment within 12 months post-graduation, consistent with the legislative authority, Agency policies, and internal institutional policies. Institutions should clearly document cancellations, maintain accurate records and report cancellations annually when the NFLP annual performance report is completed and submitted to HRSA. Institutions are responsible for establishing a loan cancellation process for NFLP borrowers, to include:
 - Certification of Employment (sample form **EXHIBIT D**)
 - Request for Postponement of Installment Payments (sample form **EXHIBIT G**)
 - Request for Partial Loan Cancellation (sample form **EXHIBIT E**)

5. Employment Status: Institutions should track NFLP Borrowers in cancellation status to identify any changes in employment status which affect the cancellation determination such as:
 - Leave During Employment (Paid or unpaid leave needs to be consistent with the lending institution's policy).
 - Change in Employment (A reasonable period, as determined by institution, to change from one place of employment to another may not constitute a break in employment).
 - Termination of full-time Employment as faculty

6. Multiple Service Obligations: “Service obligation” refers to any faculty or work service requirement set out in the agreements with HRSA and any other federal program. Multiple service obligations occur when the borrower has incurred more than one service obligation under more than one federal program for educational support. Institutions

should notify NFLP borrowers that a service requirement/obligation incurred under another federal program for educational support must remain separate and distinct from the service obligation for NFLP loan cancellation.

7. Loan Cancellation Due to Permanent/Total Disability or Death: Institutions may cancel all or any remaining payment of the NFLP loan for NFLP borrowers in the event of permanent/total disability or death. The process for NFLP loan cancellation due to permanent/total disability or death should be consistent with Agency policies and internal institutional policies. Institutions should employ due diligence to certify a case of permanent/total disability or death of an NFLP borrower. Institutions will formally notify the Agency of such a case by submitting an official (with institutional letterhead) signed letter including the borrower's unique ID, amount cancelled, reason for cancellation, and institutional certification process utilized. Institutions should clearly document cancellations, maintain accurate records and report cancellations annually when the NFLP annual performance report is completed and submitted to HRSA.
8. Write-Off Process: In extreme circumstances, institutions may write-off all or any remaining payment of the NFLP loan as uncollectible/bad debt. The process for NFLP loan write-offs for uncollectible/bad debt should be consistent with Agency policies, and internal institutional policies. Institutions should first exercise due diligence with all loans borrowed by students before implementing write-offs for uncollectible/bad debt. Due diligence for uncollectible/bad debt is the process by which sound collection procedures are exercised. Such procedures usually result in a low rate of student loan delinquency. After completing all the procedures required for attempting to collect on uncollectible loans, the institution through the Project Director will formally notify the Agency of such a case by submitting an official request (on institutional letterhead) signed letter including the borrower's unique ID, amount requested to be written-off, reason for write-off, and institutional write-off process implemented. HRSA will review and approve or disapprove requests in a timely manner. Institutions should clearly document write-offs, maintain accurate records for audit purposes, and report write-offs annually when the NFLP annual performance report is completed and submitted to HRSA. It is important to emphasize that the write-off process should happen sparingly, and should only take place as a means of last resort for uncollectible/bad debt.

E. COLLECTIONS

1. Collection Process: Institutions should have in place structures and policies that enable collection on principal and interest on all loans made from the NFLP student loan fund (and any other earnings of the fund). NFLP loan funds may be used to cover costs of collection of such loans and interest.
2. Loan Repayment: NFLP loan shall be repayable in equal or graduated periodic installments (with the right of the borrower to accelerate repayment) over the 10-year period that begins 9 months after the individual ceases to pursue a course of study at a school of nursing.

3. Interest Rate on NFLP Loans: Loans from any NFLP student loan fund shall—beginning on the date that is 3 months after the individual ceases to pursue a course of study at a school of nursing—bear interest on the unpaid balance of the loan at the rate of 3 percent per annum.

At such a time that the institution determines that the individual will not

- a. Complete such course of study (e.g., borrower discontinues the course of study) or
- b. Serve as a faculty member as required under the loan agreement (e.g, does not obtain full-time faculty employment within 12 months post-graduation),

the loan shall bear interest on the unpaid balance of the loan at the prevailing market rate. The institution should employ a loan repayment process according to internal policies, which may include provision of an individual repayment schedule/plan at the time a borrower becomes eligible for repayment, and provision of information on principal and interest owed. In the event that such a determination is made and the institution applies the prevailing market interest rate, the institution shall notify the borrower accordingly.

The prevailing market rate is determined by the Treasury Department and is published quarterly in the Federal Register. The rates are fixed. Refer to the HHS Office of Finance web site at <http://dhhs.gov/asfr/of/finpolibrary/chronorates.html> for information on the "consumer interest" rates.

4. Loan Repayment Schedule: The lending institution should establish a loan repayment schedule for NFLP borrowers. The institution should provide each borrower with an individual repayment schedule or plan at the time the borrower becomes eligible for repayment. According to internal institutional policies, lending institutions will require borrowers to start repayment of the NFLP loans (and start collecting on any part/all loans borrowed) for the following reasons:
 - If borrower does not obtain full-time faculty employment within the 12-month grace period to obtain employment. Loan repayment should officially start after the 9th month, but the institutions should administer the repayment for the grace period (10th, 11th, & 12th months) according to their internal policies.
 - If borrower obtains a full-time faculty employment but fails to maintain full time faculty employment for the full four consecutive years (e.g. only works as full-time faculty for 1, 2 or 3 years).
 - After the borrower completes the 4 years of service obligation, loan repayment of the remaining 15% principal plus interest balance of the loan.
5. Deferment of Loan Repayment: A lending institution may, based on its policies and determination, and in compliance with HRSA guidance and HHS grants regulations, place a borrower's NFLP loan in deferment. Institutions may have a borrower submit a Deferment Request form (sample **EXHIBIT H**) in order to be placed in deferment status. For NFLP specifically, a deferment status may be granted under the following conditions:

(A) periods (up to three years) of

- i. active duty performed by the borrower as a member of a uniformed service (Army, Navy, Marine Corps, Air Force, Coast Guard, the National Oceanic and Atmospheric Administration, or the U.S. Public Health Service Commissioned Corps), or
- ii. service as a volunteer under the Peace Corps Act,

(B) periods (up to ten years) during which the borrower is pursuing a full-time or half-time course of study at a collegiate school of nursing leading to a graduate degree in nursing, or is otherwise pursuing advanced professional training in Nursing (e.g. post-doctoral program/fellowship).

6. Forbearance: A lending institution may, based on its policies and determination, and in compliance with HRSA guidance and HHS grants regulations, place a borrower's NFLP loan in forbearance when extraordinary circumstances affect loan repayment. Forbearance is limited to situations in which the borrower clearly intends to repay the NFLP loan obligation but is temporarily unable to comply with the existing repayment schedule. Periods of forbearance are not excluded from the borrower's 10-year repayment period. For example, if a borrower goes into forbearance for 6 months twice during the 10-year repayment period (for a total of a year of forbearance), the borrower has only 9 years remaining to repay the loan.
7. Default Rate Prevention and Management: The default rate is calculated as the percent of the institution's total outstanding student loan principal subject to repayment which is past due for a period of greater than 120 days. The measurement of an institution's failure to collect loans made under this part shall be the ratio (stated as a percentage) that the defaulted principal amount outstanding of such institution bears to the matured loans of such institution. The term "default" means the failure of a borrower of a loan made under this part to— (i) make an installment payment when due; or (ii) comply with any other term of the promissory note for such loan, except that a loan made under this part shall not be considered to be in default if the loan is discharged in bankruptcy or if the institution reasonably concludes from written contacts with the borrower that the borrower intends to repay the loan. The term "defaulted principal amount outstanding" means the total amount borrowed from the loan fund of an institution that has reached the repayment stage (minus any principal amount repaid or cancelled) on loans— (i) repayable monthly and in default for at least 120 days; and (ii) repayable less frequently than monthly and in default for at least 180 days.

The NFLP loan default rate is implemented as a performance measure, to actively monitor the collection of outstanding loan debt associated with the NFLP loan fund account. Institutions must have a default rate not greater than 5 percent. Failure to meet NFLP requirements may impact NFLP grant funding per the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards, 45 CFR Part 75. Institutions that exceed a default rate of greater than 5% will be considered noncompliant with NFLP requirements. HRSA will assess award recipients for program compliance, including to determine whether an institution has a default rate greater than 5%, on June 30 of each year. When non-compliance is determined (e.g., a NFLP grantee has a default rate greater than 5%), HRSA will notify the institution of its non-

compliant status, as well as required steps to come into compliance, including any necessary action on the part of the grantee. Grantees will be provided with a time-phased approach to resolve compliance issues. Failure to comply with the grant requirement within the specified period may result in administrative actions up to and including withholding further Federal awards for the project, as well as the suspension and/or termination of the NFLP grant.

F. RECORDKEEPING & REPORTING

1. Record Keeping and Tracking: The Project Director is the official Point-of-Contact for the NFLP grant and it is his or her responsibility to effectively coordinate with other institutional offices to ensure that all individual borrowers are properly tracked, loans properly managed, and all documents and data are properly collected, stored, and reported upon as required in the Funding Opportunity document.
2. Documentation and Maintenance: Institutions are responsible for documenting NFLP related transactions and maintaining NFLP records. Institutions may be required to provide documentation to HRSA, if requested. Institutions should maintain an individual file for each NFLP loan borrower from disbursement to repayment, these records should also be maintained for at least three years after the loan is retired (i.e., when all service obligations and repayments have been fulfilled).
3. Records: All records associated with NFLP awards, including Borrower Records, must be maintained in accordance with 45 CFR 75.361. Borrower files should at a minimum include the following:
 - Copy of signed Promissory Note(s).
 - Signed disclosure Statement of Borrower's Rights and Responsibilities.
 - Records of enrollment status for each academic year of NFLP support.
 - Records of payments and cancellation.
 - Records of approved leave of absence, deferment, forbearance, or default (as applicable).
4. Performance and Tracking: Institutions should implement and maintain a plan for program performance evaluation that will contribute to continuous quality improvement in the areas of producing qualified nurse faculty and efficiently managing the loan fund. In addition, institutions should effectively track performance outcomes by collecting and managing data, including timely and accurately reporting performance outcomes to HRSA. Institutions should monitor and track the progression of NFLP-supported students and graduates from commitment through loan cancellation and final payments. This means that tracking must continue until the end of the loan period for all borrowers, including those who receive no cancellation, partial cancellation or cancellation for all 4 years (which after 85% cancellation would include the payment of the remaining 15%).
5. Annual Performance Reports: Institutions are required to complete annual performance reports (APRs). APRs include Financial Reporting for all activities conducted under the NFLP grant for the applicable fiscal year. Annual Performance reports are used to

assess success of individual programs, including institutions' management of NFLP funds and number of qualified nursing faculty produced.

6. Submission of Annual Performance Reports: Data submitted by grantees of the program must cover all activities that took place between July 1st to June 30th of the fiscal year. The Report is due no later than August 1st of the end of the budget period. Failure to submit a Report by this date may place your grant in a noncompliant status. Institutions are required to utilize the instruction manual designed and provided to assist in completing the required Performance Report for Grants and Cooperative Agreements (PRGCA). Officials at HRSA will review and approve all PRGCA submitted by grantees. In the case that revisions are needed, institutions will be granted the ability to reenter the electronic reporting system, make corrections, and submit a revised PRGCA. All revisions must be resubmitted within five (5) business days of HRSA's initial request for revision. Failure to resubmit a revised PRGCA within five (5) business days may place the institution in a noncompliant status.
7. Performance Measures: Performance measures for NFLP include amount of funds disbursed to students, default rate percentage, number of students supported with the loan fund, number of students who do not complete the program, number of students who graduate, numbers of students who receive 1st, 2nd, 3rd and 4th year loan cancellations.

G. GRANT CLOSE-OUT

1. Institutional Close-Out or Termination: If an institution terminates a loan fund established under the agreement, or if the Agency for good cause terminates the agreement with the institution, the Agency shall be paid an amount which bears the same ratio (of the Federal capital contributions) to such fund balance on the date of termination. The purpose of closeout is to terminate the grant agreement between the institution and the Agency, ensure that final reports are received and evaluated, allowable costs are determined, and amounts due, either to the agency, or to the recipient are determined and payment arrangements made.
2. Grant Termination Appeal: In any case in which the Agency intends to terminate an agreement with an institution, the Agency shall provide the institution with a written notice complying with the requirements outlined in 45 CFR 75.372.
3. NFLP Grant Closeout Process: The closeout process for the NFLP grant requires the completion of reports such as, a final Progress or Performance Report. Completion of the closeout process for the NFLP grant indicates a termination of institutional participation in the grant, and a termination of the agreement between the Agency and the institution (including the terms and conditions of the grant). Institutions will initiate the NFLP closeout is with an official closeout request letter, and should ensure that all applicable reports are complete prior to initiating the closeout process. Institutions interested in closeout of their NFLP grant should contact the Project Officer to initiate the closeout process.

H. EXHIBIT FORMS

Text within the sample exhibit forms should not be altered, however, it may be placed on institutional letterhead. Institutions may use the exhibit forms in an electronic format. The forms are available for institutional use at https://bhw.hrsa.gov/sites/default/files/bhw/nflpexhibitforms_0.pdf.

EXHIBIT A – **Sample** NFLP Promissory Note (Amended 2012)

EXHIBIT B – **Sample** Statement of Rights and Responsibilities

EXHIBIT C – **Sample** NFLP Loan Application

EXHIBIT D – **Sample** Certification of Employment Form

EXHIBIT E – **Sample** NFLP Request for Partial Cancellation

EXHIBIT G – **Sample** NFLP Request for Postponement of Installment Payment

EXHIBIT H – **Sample** NFLP Deferment Form

EXHIBIT I – **Sample** Exit Interview – Questionnaire