







ORDER OF THE STATE OF WISCONSIN  
HIGHER EDUCATIONAL AIDS BOARD

ADOPTING RULES

To create HEA 7 relating to the Wisconsin Health Education Assistance Loan Program.

Analysis prepared by the State of Wisconsin Higher Educational Aids Board:

Section 39.325, Stats., authorizes the Higher Educational Aids Board to administer a Wisconsin Health Education Assistance Loan program for students enrolled in the University of Wisconsin Medical School, the Medical College of Wisconsin and Marquette University School of Dentistry. The governing statute further stipulates that the program administered by the Board must conform to the federal statute, and resultant regulations, governing the Health Education Assistance Loan program, P.L. 94-484. Section 39.377, Stats., authorizes the Board to administer a complementary program of Wisconsin Health Education Assistance Loan Program grants to encourage students who have received Wisconsin Health Education Assistance Loans to establish a primary care medical practice in Wisconsin or practice any specialty in a geographic area of Wisconsin designated by the Department of Health and Social Services as underserved. The proposed rules define the various aspects of the two programs. Since most aspects of the programs are specified in federal and state statutes and governing federal regulations, the Board has little discretion in the establishment of program requirements. The Board does, however, have the authority to set student eligibility criteria, annual and aggregate loan maximums and the applicable interest rate. The proposed rules include provisions governing these items as well as provisions governing various administrative aspects of the programs.

Pursuant to the authority vested in the state of Wisconsin higher educational aids board by ss. 39.28(1) and 39.325(3), Stats., the state of Wisconsin higher educational aids board hereby creates rules interpreting ss. 39.325 and 39.377, Stats., as follows:

Chapter HEA 7

W I S C O N S I N   H E A L T H   E D U C A T I O N   A S S I S T A N C E  
L O A N   P R O G R A M

HEA 7.01 Purpose. The purpose of these rules is to define the various aspects of the Wisconsin health education assistance loan program authorized by s. 39.325, Stats., and Wisconsin health education assistance loan program grants authorized by s. 39.377, Stats. As required by statute, the Wisconsin health education assistance loan program must conform to the provisions of the federal health education assistance loan program established by P.L. 94-484. The federal department of health and human services has promulgated federal regulations in

42 C.F.R. Part 60, which govern the establishment and operation of health education assistance loan programs. Copies of the federal act and regulations are available on request from the higher educational aids board.

HEA 7.02 Definitions. (1) "Board" means the higher educational aids board.

(2) "WHEAL" means the Wisconsin health education assistance loan program.

(3) "Secretary" means secretary of the department of health and human services.

HEA 7.03 Borrower Eligibility. In order to receive a WHEAL loan, a borrower shall satisfy the following requirements:

(1) He or she shall be a citizen, national or permanent resident of the United States; a permanent resident of the Trust Territory of the Pacific Islands or the Northern Mariana Islands; or in the United States for other than a temporary purpose and intend to become a permanent resident.

(2) He or she shall be enrolled or accepted for enrollment in the university of Wisconsin medical school, the medical college of Wisconsin, or marquette university school of dentistry; and in a course of study that leads to a doctor of medicine or doctor of dental surgery degree.

(3) He or she shall be carrying or plan to carry, during the period for which the loan is intended, the normal workload of a full-time student, as determined by the school. The student's workload may include any combination of courses, work experience, research or special studies that the school considers sufficient to classify the student as full-time.

(4) If currently enrolled in school, he or she shall be in good standing as determined by the school.

(5) No more than 50 percent of the students enrolled in each class at the institutions identified in sub. (2) are authorized to receive new WHEAL loans each academic year.

HEA 7.04 Terms of WHEAL Loans. (1) Annual Limit. Eligible borrowers may borrow up to \$15,000 principal for each academic year. For these purposes, an academic year is 9 months in duration. However, in no case may a borrower receive a loan that is greater than the sum of the borrower's estimated cost of attendance less other financial aid awarded for the same academic period plus the WHEAL insurance premium.

(2) Aggregate Limit. The total principal amount that a borrower may borrow under WHEAL is \$60,000.

(3) Interest. WHEAL loans shall bear interest on a fixed rate basis at the lesser of 12.5 percent or the maximum rate determined by the secretary under 42 C.F.R. s. 60.13(a)(3). For each calendar quarter,

the secretary sets the maximum annual interest rate by determining the average of the bond equivalent rates for the 91-day U.S. treasury bills auctioned for the preceding calendar quarter, adding 3.5 percentage points, and rounding that figure to the next higher one-eighth of one percent.

(4) Insurance Premium. Borrowers are required to pay a one-time insurance premium on each loan equal to one-fourth of one percent per year of the loan principal. The purpose of the insurance premium is specified in 42 C.F.R. s. 60.14 as being to insure lenders against losses if a borrower defaults, dies, becomes totally and permanently disabled or is adjudicated bankrupt. For purposes of determining the amount of the premium, the period commences the month beginning after the month the loan proceeds are disbursed to the borrower and ends 9 full months after the month of the borrower's anticipated date of graduation. Premiums are not refundable to borrowers for any reason.

HEA 7.05 WHEAL Forms and Application Process. (1) A borrower seeking a WHEAL loan shall accurately and completely fill out the loan application form and promissory note. A copy of the application and promissory note may be obtained at no charge from the board or the schools participating in WHEAL.

(2) The borrower shall complete a portion of the application form and shall have his or her school complete another portion. The school provides information relating to the borrower's eligibility, the borrower's estimated cost of attendance, and other financial aid, exclusive of family contributions, which the school is aware will be awarded to the borrower during the academic period covered by the requested WHEAL loan.

(3) Under 42 C.F.R. s. 60.51(b), a school participating in WHEAL has the authority to deny eligibility to a student applicant in order to insure that only 50 percent of the students in each class receive health education assistance loans in any year.

HEA 7.06 Terms of Repayment. (1) Promissory Note. The promissory note sets out the terms of the loan and the rights and responsibilities of both the borrower and the board.

(2) Commencement of Repayment. The borrower's repayment period shall begin the first day of the tenth month after the month he or she ceases to be a full-time student at an eligible school. However, if the borrower becomes an intern or resident in an accredited program within 9 full months after leaving school, then the borrower's repayment period shall begin the first day of the tenth month after the month he or she ceases to be an intern or resident. The criteria used to determine accredited programs for purposes of this subsection are specified in 42 C.F.R. s. 60.50.

(3) Length of the Repayment Period. In general, the board shall allow a borrower at least 10 years, but not more than 15 years, to repay a WHEAL loan calculated from the beginning of the repayment period. The criteria used to set the length of the repayment period within these limits are specified in 42 C.F.R. s. 60.34(b)(2). A borrower shall fully repay a loan within 23 years after it is made. If a borrower receives a deferment from repayment, however, the period of the deferment shall not be included in the calculation of the 10-, 15- and 23-year periods.

(4) Prepayment. A borrower may repay the whole or any part of a WHEAL loan before required by the repayment schedule. A borrower who prepays a loan shall not be penalized in any way by the board.

(5) Minimum Annual Payment. During each year of repayment, a borrower's payments of his or her WHEAL loans shall total at least \$600 or a sum equal to the interest that accrues during the year on all of the loans, whichever amount is greater. However, the \$600 rule does not apply in any case where it would result in a borrower repaying a WHEAL loan in fewer than 10 years.

(6) Repayment Schedule Agreement. During the grace period, a borrower shall contact the board to establish the precise terms of repayment. The repayment schedule may provide for substantially equal installment payments or for installment payments that increase in amount over the repayment period. If a graduated repayment schedule is established, it may not provide for any single installment that is more than five times greater than any other installment.

(7) Consolidation of WHEAL Loans. If the board holds two or more WHEAL loans made to the same borrower, the board and the borrower may agree to consolidate the loans into a single WHEAL loan obligation evidenced by one promissory note. In this situation, the board shall first inform the borrower of the effect of the consolidation on the interest rate and explain to the borrower that he or she is not required to agree to the consolidation.

HEA 7.07 Charges to the Borrower. (1) Late Charges. The board may require that the borrower pay a late charge if the borrower fails to pay all of a required installment payment within 10 days after its due date or fails to provide written evidence that verifies eligibility for the deferment of the payment. A late charge shall not exceed 5 cents for each dollar of an installment payment due or \$5 for each payment, whichever is less.

(2) Collection Charges. The board may also require that the borrower pay for certain reasonable costs incurred by the holder or its agency in collecting any installment not paid when due. These costs may include attorney's fees, court costs, telegrams, and long-distance phone calls. The board shall not charge the borrower for the normal costs associated with preparing letters and making personal and local telephone contacts with the borrower. No charges other than those authorized in this paragraph and the insurance premium, including a service agency's fees for normal servicing of a loan, shall be passed on to the borrower, either directly or indirectly.

HEA 7.08 Deferment. (1) Once the repayment period has commenced, periodic installments of principal may be deferred during any period:

(a) During which the borrower is pursuing a full-time course of study at an institution of higher education that is a participating school in the guaranteed student loan program; or

(b) Not in excess of 3 years during which the borrower is a participant in an accredited internship or residency program; or

(c) Not in excess of 3 years during which the borrower is a member of the armed forces of the United States; or

(d) Not in excess of 3 years during which the borrower is in service as a volunteer under the peace corps act; or

(e) Not in excess of 3 years during which the borrower is a member of the national health service corps; or

(f) Not in excess of 3 years during which the borrower is a full-time volunteer under title I of the domestic volunteer service act of 1973.

(2) In order to receive a deferment, a borrower shall apply to the board. If the borrower submits written evidence that verifies eligibility for the deferment, the board shall approve the deferment.

(3) At the board's option, the borrower may also postpone payment of interest during the period of deferment.

HEA 7.09 Forbearance. The board may grant forbearance for the benefit of a borrower in order to prevent a borrower from defaulting on his or her payment obligations. "Forbearance" means an extension of time for making loan payments or the acceptance of smaller payments than were previously scheduled. The board may grant forbearance whenever unemployment, health, other personal problems, or study that is ineligible for deferment temporarily affects the borrower's ability to make scheduled payments on a WHEAL loan.

HEA 7.10 Wisconsin health education assistance loan program grants.

(1) The board shall administer, in cooperation with the department of health and social services, a grant component of the Wisconsin health education assistance loan program for students enrolled in the university of Wisconsin medical school or in the medical college of Wisconsin. (See s. 39.377, Stats.)

(2) A grant of up to \$5,000 may be awarded annually for 4 years to a physician who participated in the WHEAL loan program, subject to the requirements in pars. (a), (b) and (c). (See s. 39.377(2), Stats.)

(a) A grant equal to twelve and one-half percent of principal and accrued interest commitment, not to exceed \$2,500, may be awarded annually for 4 years if the physician establishes a primary care medical practice in Wisconsin.

(b) A grant equal to twelve and one-half percent of principal and accrued interest commitment, not to exceed \$2,500, may be awarded annually for 4 years if the physician practices any specialty in a geographical area of this state designated by the department of health and social services as underserved.

(c) The total grant awarded to any individual shall not exceed the total amount borrowed by that individual.

(3) The department of health and social services shall promulgate rules for the implementation of this grant program including the definition of primary care medical specialties and a methodology to designate underserved areas in Wisconsin.

(4) The board may require borrowers to submit an application form and other documentation under the grant program. A copy of the form may be obtained from the board at no charge.

HEA 7.11 Bankruptcy. A borrower's loan may not be discharged in bankruptcy until after the first 5 years of the repayment period. A defaulted borrower practicing his or her profession is subject to having medicare or medicaid payments withheld up to the amount of the loan. (See 42 C.F.R. s. 60.1(f).)

HEA 7.12 Death and Disability. If a borrower dies or becomes totally and permanently disabled, his or her obligation to make any further payments of principal and interest on a WHEAL loan is canceled.

HEA 7.13 Refunds. By applying for a WHEAL loan, a borrower authorizes a participating school to make payment of a refund that is allocable to a WHEAL loan directly to the board. The board shall treat a refund payment received from a participating school as a downward adjustment in the amount of the principal amount of the loan.

HEA 7.14 Power of Attorney. Neither the board nor a participating school shall obtain a borrower's power of attorney or other authorization to endorse a disbursement check on behalf of a borrower. The borrower shall personally endorse the check and may not authorize anyone else to endorse it on his or her behalf.

HEA 7.15 Security and Endorsement. A WHEAL loan shall be made without security. With one exception, it shall also be made without endorsement. If a borrower is a minor, the board may require an endorsement by another person on the borrower's WHEAL note. An "endorsement" means a signature of any party--other than the borrower--who is to assume either primary or secondary liability on the note.

"Note": Copies of all WHEAL application forms, promissory notes and other program materials may be obtained at no cost from:

Higher Educational Aids Board  
137 East Wilson Street  
P.O. Box 7858  
Madison, WI 53707

EFFECTIVE DATE: As provided by s. 227.026(1)(intro), Stats., these rules shall take effect on the first day of the month following publication in the register and shall apply to all WHEAL loans made for the academic year beginning after July 1, 1981.