

SUBPART II—FEDERALLY-SUPPORTED STUDENT  
LOAN FUNDS

**§ 292q. Agreements for operation of school loan funds**

**(a) Fund agreements**

The Secretary is authorized to enter into an agreement for the establishment and operation of a student loan fund in accordance with this subpart with any public or other nonprofit school of medicine, osteopathic medicine, dentistry, pharmacy, podiatric medicine, optometry, or veterinary medicine.

**(b) Requirements**

Each agreement entered into under this section shall—

- (1) provide for establishment of a student loan fund by the school;
- (2) provide for deposit in the fund of—
  - (A) the Federal capital contributions to the fund;
  - (B) an amount equal to not less than one-ninth of such Federal capital contributions, contributed by such institution;
  - (C) collections of principal and interest on loans made from the fund;
  - (D) collections pursuant to section 292r(j) of this title; and
  - (E) any other earnings of the fund;

(3) provide that the fund shall be used only for loans to students of the school in accordance with the agreement and for costs of collection of such loans and interest thereon;

(4) provide that loans may be made from such funds only to students pursuing a full-time course of study at the school leading to a degree of doctor of medicine, doctor of dentistry or an equivalent degree, doctor of osteopathy, bachelor of science in pharmacy or an equivalent degree, doctor of pharmacy or an equivalent degree, doctor of podiatric medicine or an equivalent degree, doctor of optometry or an equivalent degree, or doctor of veterinary medicine or an equivalent degree;

(5) provide that the school shall advise, in writing, each applicant for a loan from the student loan fund of the provisions of section 292r of this title under which outstanding loans from the student loan fund may be paid (in whole or in part) by the Secretary; and

(6) contain such other provisions as are necessary to protect the financial interests of the United States.

**(c) Failure of school to collect loans**

**(1) In general**

Any standard established by the Secretary by regulation for the collection by schools of medicine, osteopathic medicine, dentistry, pharmacy, podiatric medicine, optometry, or veterinary medicine of loans made pursuant to loan agreements under this subpart shall provide that the failure of any such school to collect such loans shall be measured in accordance with this subsection. This subsection may not be construed to require such schools to reimburse the student loan fund under this subpart for loans that became uncollectible prior to August 1985 or to penalize such schools with respect to such loans.

**(2) Extent of failure**

The measurement of a school's failure to collect loans made under this subpart shall be the ratio (stated as a percentage) that the defaulted principal amount outstanding of such school bears to the matured loans of such school.

**(3) Definitions**

For purposes of this subsection:

(A) The term "default" means the failure of a borrower of a loan made under this subpart 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 subpart shall not be considered to be in default if the loan is discharged in bankruptcy or if the school reasonably concludes from written contracts with the borrower that the borrower intends to repay the loan.

(B) The term "defaulted principal amount outstanding" means the total amount borrowed from the loan fund of a school that has reached the repayment stage (minus any principal amount repaid or canceled) 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;

(C) The term "grace period" means the period of one year beginning on the date on which the borrower ceases to pursue a full-time course of study at a school of medicine, osteopathic medicine, dentistry, pharmacy, podiatric medicine, optometry, or veterinary medicine; and

(D) The term "matured loans" means the total principal amount of all loans made by a school under this subpart minus the total principal amount of loans made by such school to students who are—

- (i) enrolled in a full-time course of study at such school; or
- (ii) in their grace period.

(July 1, 1944, ch. 373, title VII, §721, as added Pub. L. 102-408, title I, §102, Oct. 13, 1992, 106 Stat. 2011.)

PRIOR PROVISIONS

A prior section 721 of act July 1, 1944, was classified to section 293a of this title prior to the general revision of this subchapter by Pub. L. 102-408.

**§ 292r. Loan provisions**

**(a) Amount of loan**

**(1) In general**

Loans from a student loan fund (established under an agreement with a school under section 292q of this title) may not, subject to paragraph (2), exceed for any student for a school year (or its equivalent) the cost of attendance (including tuition, other reasonable educational expenses, and reasonable living costs) for that year at the educational institu-