# 94-457 FINANCE AUTHORITY OF MAINE

Chapter 604: OSTEOPATHIC LOAN PROGRAM

SUMMARY: This rule establishes the procedures used in implementing the Osteopathic Loan Program, including eligibility criteria, application procedures, and the loan repayment process.

I. Definitions

A. Reference to Statutory Definitions. Certain terms used in this rule which are defined in the Finance Authority of Maine Act, 10 M.R.S.A. §961 et seq., shall have the meanings set forth in the Act, unless clearly specified otherwise or unless the context clearly indicates otherwise.

B. Defined Terms

1. Annual Report. “Annual report" means a report submitted annually by a loan recipient to the Authority on a form prepared by the Authority,, containing such information as the Authority deems necessary or appropriate for the effective administration of the program. Acceptance of a loan by a recipient constitutes the agreement of the recipient to submit such annual report.

2. Authority. "Authority" means the Finance Authority of Maine.

3. Chief Executive Officer. "Chief executive officer" means the chief executive officer of the Authority or any employee working under the supervisory control of the chief executive officer.

4. Conclusion of Professional Education. "Conclusion of professional education" means completion of graduate school, post-graduate programs, and/or obligated service.

5. First Time Applicant. "First Time Applicant" means an applicant receiving a loan for the first time. A person who, receives a loan after previously applying for and being denied a loan shall be a First Time Applicant.

6. Indebtedness. "Indebtedness" means the total amount of money borrowed by the loan recipient from the Osteopathic Loan Fund and any interest accrued thereon.

7. Notarized. "Notarized" means having appeared and made oath or affirmation as to the truth of the contents of any document or form submitted to the Authority pursuant to this rule, before a person authorized to administer oaths.

8. Obligated service. “Obligated service" means

a. An Armed Forces service obligation incurred in return for financial assistance provided during undergraduate and graduate education;

b. An obligation incurred for internship or residency training in the Armed Forces of the United States;

c. An obligation for compulsory national service required by an Act of Congress; or

d. An obligation to perform public health service.

 9. Postgraduate programs. "Postgraduate programs" means continuing education in a classroom, laboratory, clinical or practice setting enhancing the applicant's professional capabilities including an internship in an accredited rotating internship, residency leading to board eligibility in a specialty, a preceptorship in an accredited nonhospital based postdoctoral program in which the preceptee works with a certified specialist in a clinic in a program leading to board eligibility in a specialty and fellowships leading to board eligibility in a specialty.

10. Repayment Period. "Repayment period" means the period of time following completion of professional education or upon withdrawal from school during which the student will repay either through return service or cash repayment the amount of money owed to the Authority.

11. Resident. "Resident" means a person who has resided in the State for a minimum of three years for other than education purposes.

12. Return Service. "Return Service" means service of a loan recipient which gives rise to forgiveness of any portion of the indebtedness.

13. Underserved Area. "Underserved Area" means an underserved geographic area, underserved specialty area, underserved population group or any combination of these in the State as designated by the Department or Agency of the State authorized to make such designation.

II. Loan Eligibility

A. The eligibility Of an applicant shall be determined by the chief executive officer after consultation with the executive committee of the Maine Osteopathic Association.

B. An applicant shall be eligible for a loan if the chief executive officer finds:

1. That the applicant is a resident of the State;

2. That the applicant is attending or has been admitted to and will attend at the commencement of the next semester following receipt of the loan, an osteopathic college or university accredited by the American Osteopathic Association;

3. That the applicant shows a genuine interest in practicing osteopathic medicine in the State.

4. That the applicant will be deterred by financial considerations from beginning or completing a course of study at an osteopathic college or university. A notarized certification by the applicant at the time of application that the applicant will be so deterred shall be sufficient for such finding.

III. Students Commencing Professional Education On or After July 1, 1981.

 A. Application Deadlines and Requirements

 1. First Time Applicants

 a. A First Time Applicant shall return a completed application to the Maine Education Assistance Division of the Authority no later than May 15th annually.

 b. A First Time Applicant shall submit verification that the applicant is a resident of the State to the Authority not later than June 15th annually. Such verification shall consist of:

 1) Copies of the applicant’s tax returns for independent applicants or copies of the parents’ tax return for dependent applicants for the three applicable years; and

 2) Copy of the applicant's current driver's license.

 The Authority, in its discretion may require such other proof as it deems necessary to confirm the residence of the applicant.

c. A First Time Applicant shall submit an affidavit of independence, if applicable.

d. A First Time Applicant shall provide evidence that the applicant is or will be attending an osteopathic college or university.

 2. Renewal Applicants

a. A renewal applicant shall return a completed application to the Maine Education Assistance Division of the Authority no later than May 15th annually.

b. A renewal applicant shall submit an affidavit of independence, if applicable.

c. A renewal applicant shall submit evidence that the applicant is or will be attending an osteopathic college or university.

 B. Loan Awards

 The Authority shall determine the recipients of awards in accordance with the following criteria:

 1. The maximum loan amount will be $10, 000 in each year. The Authority, at the discretion of the chief executive officer may, based on the amount available to make loans in each year, determine the maximum loan amount for the year. Such maximum amount may be less than $10,000.

2. Renewal applicants submitting timely applications shall receive priority for any available loan funds.

3. In the event any loan funds remain available after all eligible Renewal Applicants have received the maximum amount available for the year, the Authority shall make loans to all eligible First Time Applicants by dividing the remaining amount of the loan fund to be distributed in that year by all eligible First Time Applicants and making a loan of an equal amount to each applicant.

 C. Loan Fund Administration

1. In any year the Authority, in the discretion of the chief executive officer, may distribute all or any part of the Osteopathic Loan Fund to eligible applicants.

 2. Each loan recipient shall sign a Promissory Note and Loan Agreement ("Note"), which shall contain such terms and conditions necessary to assure the repayment/forgiveness of the loan in accordance with law and this rule. The Note shall provide that the recipient must file an annual report. Failure to file such annual report in a timely manner shall be deemed a default of the Note.

 D. Repayment

1. The amount due the Authority shall include simple annual interest at 9%. The accrual of interest shall commence on the same date as the beginning of the repayment period.

2. The repayment period shall commence three (3) months following the loan recipient's conclusion of professional education or upon the loan recipient's withdrawal from the Osteopathic College, Postgraduate Program or Obligated Service for any reason and shall continue until such time as the loan is paid in full by either repayment or return service or a combination thereof.

3. Payments shall be made over a payment period not to exceed ten (10) years. Provided, however, a recipient may apply to the chief executive officer for an extension of the payment period. In the discretion of the chief executive officer, an extension of the payment period of up to ten years may be granted. The decision of the chief executive officer shall be final.

4. In the event the recipient files a notarized annual report form indicating that the recipient is practicing in an underserved area, the Authority may advise the recipient that no payments are due during the time of such practice. Repayment shall be due the Authority unless the Authority receives and accepts the Practice Location and Date form.

 E. Forgiveness

 1. Loan recipients may reduce their indebtedness by 25% for each year of practice within an underserved area in the State during the repayment period.

 2. In the event that a loan recipient repays a portion of the indebtedness in cash prior to the commencement of return service, each year of return service completed will reduce the existing balance of the indebtedness by 25% of the total outstanding indebtedness. In no event shall, the Authority be deemed to owe any amount to a loan recipient who commences return service after making any cash payment.

 3. In the event that a loan recipient completes only a portion of a year of return service, such service shall be credited to the indebtedness and a pro rata cash payment will be due for the remaining amount of the payment due in that year.

 4. Return service shall not be credited to the indebtedness of the loan recipient until the Authority's receipt of a properly notarized annual report indicating that the recipient has practiced in an underserved area for all or a portion of a year. The Authority may verify the contents of said form as it deems necessary or appropriate.

 F. Default. If payment or a notarized annual report is not received within 60 days following the due date, the Authority may declare the full amount due and payable, including reasonable costs of collection and attorney's fees.

 G. Deferment.

1. Deferments shall be considered under those circumstances permitted by applicable law. Such requests shall be made in writing to the chief executive officer, who shall consider each request on a case-by-case basis. The decision of the chief executive officer shall be final.

2. During the period of approved deferment, simple interest will accrue on the indebtedness at an annual rate of nine percent. At the conclusion of the deferment period, the indebtedness shall be repaid either through return service or by cash payments within the years remaining in the repayment period, provided however, that all interest accrued during any deferment shall be paid in cash.

IV. Students Commencing Professional Education On or After September 1, 1971, But Before July 1, 1981

 A. Repayment

1. The amount due the Authority shall include interest at 6% compounded semi-annually. The accrual of interest shall commence on the same date as the beginning of the repayment period.

2. The repayment period shall commence one year following graduation from. or discontinuance of attendance at an osteopathic college.

3. Repayment: shall be completed within twelve years of graduation or withdrawal from a college of osteopathic medicine

 B. Forgiveness

1. A loan recipient who returns to the State to establish a practice immediately following the completion of any internship, residency, obligated public health service or armed forces service may use the forgiveness option in lieu of repaying the loan in cash.

2. Loan recipients may reduce their indebtedness by $2,000 for each year of practice in Maine. If the amount of the indebtedness is greater than $2,000, then the years of service must be continuous.

3. Any loan recipient who practices in Maine for the necessary number of continuous years to pay off the total indebtedness through service, shall not be obligated to pay any accrued interest.

4. A loan recipient who commences a practice in accordance with subsection (1) of this section, but does not maintain the practice in Maine the requisite number of years to pay the full amount of the outstanding indebtedness, shall have the indebtedness reduced by $2,000 for each year of Maine practice, but shall pay the remaining outstanding principal and interest accrued thereon with the date of commencement of accrual being the date of commencement of the repayment period.

V. Appeal to the Members.

 In the event that an application or request for deferment or extension is denied by the chief executive officer, the applicant shall have the right to appeal the decision of the chief executive officer to the members. An appeal of the denial of an application shall not affect the processing of other applications. Notice of the appeal, together with a statement of the reasons why the chief executive officer's decision should be reversed or modified, must be given to the chief executive officer in writing within 20 days after the date the chief executive officer mailed the notice of denial to the applicant. The appeal shall be heard at a meeting of the members, and the applicant must be present to support the appeal. The appeal shall be based on the record before the chief executive officer on the date of the request. The decision of the chief executive officer shall be final unless the members determine that the denial by the chief executive officer was arbitrary, capricious or an abuse of discretion, in which event the members may overturn or modify the decision of the chief executive officer and may direct the chief executive officer to take further action with respect to the application.

AUTHORITY: 20-A M.R.S.A. §12006; 10 M.R.S.A. §969-A(14)

EFFECTIVE DATE: April 22, 1991, original Rule.

 This rule amends and supersedes former Chapters 145 and 146 of the Department of Educational and Cultural Services.

 Chapter 145 as amended was effective June 9, 1980 and amended effective July 27, 1981. Chapter 145 set forth the repayment provisions for recipients of loans from the Osteopathic Loan Fund who commenced their osteopathic education on or after September 1971, but before July 1, 1981. These provisions, which remain in the current rule, include interest of 6% to accrue semiannually starting at the commencement of the loan recipient's education, the ability to cancel repayment by up to $2,000 annually by practicing in Maine, and a requirement that the entire amount be repaid within twelve years of completion of professional education and related requirements.

 Chapter 146 was originally effective on July 27, 1981 and was amended by emergency rule effective July 22, 1986 and permanent rule amendment effective October 20, 1986.

 The rules of the Department of Educational and Cultural Services were amended to reflect the change in administration from the Department of Education to the Finance Authority of Maine. The rules were combined and further amended to clarify loan application procedures, to set forth criteria and priorities for, the approval of loans, and to provide for an appeal to the members.

EFFECTIVE DATE (ELECTRONIC CONVERSION): May 4, 1996

NON-SUBSTANTIVE CORRECTIONS: October 7, 1996 - minor spelling.

APAO WORD VERSION CONVERSION (IF NEEDED) AND ACCESSIBILITY CHECK: July 17, 2025