

DEPARTMENT OF EDUCATION**Federal Family Education Loan (FFEL) Program and William D. Ford Federal Direct Loan Program**

AGENCY: Office of Postsecondary Education, Department of Education.

ACTION: Notice of child care loan forgiveness demonstration program for fiscal year (FY) 2001.

SUMMARY: The Secretary announces the eligibility criteria and procedures for implementation of the child care loan forgiveness demonstration program authorized by section 428K of the Higher Education Act of 1965, as amended (HEA). Under the demonstration program, some child care providers may have a portion of their student loans forgiven for continued work in certain child care facilities.

EFFECTIVE DATE: This notice is effective July 27, 2001.

Deadline for Transmittal of Applications: To assure consideration, applications for loan forgiveness under the demonstration program must be received no later than September 17, 2001.

Eligible Applicants: (A) To qualify for the child care provider loan forgiveness demonstration program, a borrower must:

(1) Be a new borrower in the FFEL or Direct Loan Programs, as defined in the "Program Definitions" section of this notice;

(2) Have received an associate or bachelor's degree in the field of early childhood education that was awarded by an institution of higher education; and

(3) Have worked full-time for the two consecutive years preceding the year during which forgiveness is requested as a provider in a facility that serves a low-income community.

(B) A borrower may not receive benefits for the same child care service under both subtitles D of title I of the National and Community Service Act of 1990 (AmeriCorps) and this demonstration program.

FOR FURTHER INFORMATION CONTACT: Mr. Gary Thomas for the Federal Family Education Loan Program (FFEL) or Mr. Donald Watson for the William D. Ford Direct Loan Program (Direct Loan). Mr. Thomas and Mr. Watson can be reached at the U.S. Department of Education, 400 Maryland Avenue, SW., room 3045, Regional Office Building 3, Washington, DC 20202-5346. Telephone: (202) 708-8242.

To receive an application or a forbearance form, you may call the Child Care Provider Loan Forgiveness

support desk toll free at 1-888-562-7002. You may also write to the Child Care Provider Loan Forgiveness Program, P.O. Box 4639, Utica, NY 13504-4639. In addition, free internet access to the application and forbearance forms are available, in Adobe Portable Document Format (PDF) at the following site: <http://ed.gov/offices/OSFAP/Students/>

If you use a telecommunications device for the deaf (TDD), you may call the Federal Information Relay Service (FIRS) at 1-800-877-8339.

Individuals with disabilities may obtain this document in an alternative format (e.g., Braille, large print, audiotape, or computer diskette) on request to the program contact persons listed under **FOR FURTHER INFORMATION CONTACT**.

SUPPLEMENTARY INFORMATION:**Background**

This notice implements a demonstration program of loan forgiveness for child care providers as authorized under section 428K of the HEA. The HEA authorizes the Secretary, contingent upon the availability of annual appropriations, to undertake a loan forgiveness demonstration program for borrowers under the FFEL and the Direct Loan programs who have completed their education and are providing full-time child care services in child care facilities in certain communities. The child care provider loan forgiveness demonstration program is intended to bring more highly trained individuals into the early child care profession and to retain those providers for longer periods of time. The Congress has appropriated \$1,000,000 for the demonstration program for FY 2001.

Under the demonstration program, new FFEL and Direct Loan borrowers (as defined in the "Program Definitions" section of this notice) may receive forgiveness of up to 100 percent of their total eligible loans made under the FFEL subsidized and unsubsidized Federal Stafford Loan, Direct Subsidized Loan, and Direct Unsubsidized Loan programs. A loan is eligible for forgiveness only if it was made after October 7, 1998, the date of enactment of the Higher Education Amendments of 1998, which authorized the program. Loan forgiveness is provided to eligible borrowers on a progressive basis (i.e., 20 percent of the total amount of loans following two years of service; 20 percent following the third year of service; and 30 percent following each of the fourth and fifth years of service) following completion of consecutive years of full-time child care

employment serving a low-income community.

Under the HEA, loan forgiveness is available to eligible borrowers on a first-come, first-served basis, contingent upon the availability of funds. Priority for loan forgiveness in subsequent fiscal years is given to borrowers who received loan forgiveness for the preceding fiscal year.

The Secretary is required to evaluate the success of the demonstration program in achieving the statutory goals of attracting and retaining highly trained individuals into the early child care profession. In order to perform this evaluation and to ensure priority for subsequent-year funding, the Secretary will commit funds from the current fiscal year to cover the full five years of loan forgiveness for recipients, so that they can continue to receive loan forgiveness for subsequent years in which they may qualify and for which funds are appropriated.

Procedures

The Secretary has determined that the issuance of regulations to implement the loan forgiveness demonstration program for child care are not necessary at this time. Section 428K of the HEA creates the loan forgiveness for child care providers program as a demonstration program. Funding was first provided for this demonstration program in the Consolidated Appropriations Act, 2001, enacted on December 21, 2000 (Pub. L. 106-554), in which \$1,000,000 was appropriated.

In light of the limited amount of funds available and the fact that the loan forgiveness program for child care providers is a demonstration program, the Secretary has decided to issue this notice to announce the program and explain the procedures for granting loan forgiveness under the program. These procedures are based on the statutory language, and further regulations are not needed at this time. However, the President's budget for FY 2002 includes funding for this program for future years. If continued funding is provided, the Secretary intends to undertake formal rulemaking.

Program Definitions

Child care facility means a facility, including a home, that provides child care services and meets applicable State or local government licensing, certification, approval, or registration requirements.

Child care services means activities and services for the education and care of children from birth through age five by an individual who has a degree in early childhood education.

Consecutive years of employment means maintaining full-time employment for successive, uninterrupted 12-month periods as a child care provider in an eligible facility.

Degree means an associate's or a bachelor's degree awarded by an institution of higher education.

Early childhood education means education in the areas of early child education, child care, or any other educational area related to child care that the Secretary determines appropriate.

Eligible Loan means a loan made after October 7, 1998 to a new borrower under the subsidized or unsubsidized Federal Stafford Loan, Direct Subsidized Loan, or Direct Unsubsidized Loan programs and made for the purpose of completing the borrower's degree in early childhood education or child care.

Full-time employment means working as a child care provider in a child care facility at least 30 hours per week.

Institution of higher education means a public or nonprofit private institution of higher education as defined in section 101 of title I of the HEA.

Low-income community means a community in which at least 70 percent of the individuals are from families that earn less than 85 percent of the State median household income. For the purposes of this notice, the community comprises the children who receive child care at the facility.

New borrower means a borrower who had no outstanding loan balance under the FFEL or Direct Loan Program on October 7, 1998 or who has no outstanding loan balance on the date that he or she obtains a loan after October 7, 1998.

Forgiveness Amounts

(A) A borrower employed full-time as a child care provider may receive forgiveness of the borrower's eligible loans in the amount of:

(1) Twenty percent of the total amount of eligible loans after the second consecutive year (24 continuous months) of full-time employment;

(2) Twenty percent of the total amount of eligible loans after the third consecutive year (36 continuous months) of full-time employment; and

(3) Thirty percent of the total amount of eligible loans after each of the fourth and fifth consecutive years (48 and 60 continuous months respectively) of full-time employment.

(B) An eligible borrower not previously participating in the loan

forgiveness program who secures a degree in early childhood education after previously graduating from an institution of higher education in an area other than early childhood education is eligible to receive forgiveness of the total amount of eligible loans received for a maximum of two academic years in pursuit of an early childhood education degree, according to the percentages specified in paragraph (A) of this section.

(C) For each year of qualifying service, the Secretary forgives the percentage of the eligible loans plus the proportionate amount of interest that accrues on the loan.

(D) The loan holder does not refund payments that were received from, or paid on behalf of, a borrower who qualifies for loan forgiveness under this section.

Application Procedures for Cancellation and Payment Processing

(A) After completing the eligible child care service, a borrower may request loan forgiveness from the Secretary on a form approved by the Secretary and accompanied by any required supporting documentation.

(B) The Secretary makes loan forgiveness commitments to qualified applicants on a first-come, first-served basis according to the date that a complete and accurate application is received and contingent upon the availability of funds.

(C) The Secretary notifies applicants of their eligibility or ineligibility for loan forgiveness and the amount that is being forgiven.

(D) If the Secretary approves the borrower's request for forgiveness of the loan, the Secretary forwards payment of the forgiven amount to the holder of the borrower's largest current outstanding unsubsidized loan, if any, for payment on that loan. If the borrower has no outstanding unsubsidized loans, the Secretary forwards the forgiven amount to the holder of the borrower's largest current outstanding subsidized loan.

(E) If the holder determines that the amount of the loan forgiveness payment received from the Secretary exceeds the remaining balance of the loan to which it is designated, the lender shall apply the remaining balance to another eligible loan of the borrower held by the holder. If the lender does not hold any of the borrower's other eligible loans, the lender shall refund the balance to the Secretary. If applicable, the Secretary then forwards the balance to

another holder of the borrower's eligible loans.

Application Procedures for Forbearance

(A) At the written request of the borrower, the Secretary or the holder of eligible loans grants forbearance in annual increments to a borrower performing the type of service that would qualify the borrower for loan forgiveness, unless the borrower has been granted a deferment for that period of service.

(B) Before the borrower receives forbearance for eligible child care service, the borrower must:

(1) Submit documentation to the Secretary or the holder for the period of the annual forbearance request showing the beginning and anticipated ending dates that the borrower is expected to perform, for that year, eligible child care service; and

(2) Certify the borrower's understanding that receiving forbearance for eligible service does not guarantee receipt of loan forgiveness benefits.

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To use PDF you must have Adobe Acrobat Reader, which is available free at this site. If you have questions about using PDF, call the U.S. Government Printing Office (GPO), toll free, at 1-888-293-6498; or in the Washington, DC, area at (202) 512-1530.

Note: The official version of this document is the document published in the **Federal Register**. Free Internet access to the official edition of the **Federal Register** and the Code of Federal Regulations is available on GPO Access at: <http://www.access.gpo.gov/nara/index.html>.

(Catalog of Federal Domestic Assistance Numbers: 84.032 Federal Family Education Loan Program and 84.268 William D. Ford Federal Direct Loan Program)

Program Authority: 20 U.S.C. 1078-11.

Dated: July 23, 2001.

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Planning, and Innovation, Office of
Postsecondary Education.

[FR Doc. 01-18782 Filed 7-26-01; 8:45 am]

BILLING CODE 4000-01-U