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HOUSE BILL NO. 663

Offered January 14, 2026

Prefiled January 13, 2026

A BILL to amend the Code of Virginia by adding in Chapter 6 of Title 23.1 an article numbered 8, consisting of sections numbered 23.1-643 through 23.1-648, relating to public institutions of higher education; financial assistance; Medical Education Loan-for-Service Fund and Program established; report.

Patron—Willett

Committee Referral Pending

Be it enacted by the General Assembly of Virginia:
1. That the Code of Virginia is amended by adding in Chapter 6 of Title 23.1 an article numbered 8, consisting of sections numbered 23.1-643 through 23.1-648, as follows:

*Article 8.**Medical Education Loan-for-Service Fund and Program.***§ 23.1-643. Definitions.**

As used in this article, unless the context requires a different meaning:

"Approved medical specialty" means general pediatrics, family medicine, emergency medicine, obstetrics and gynecology, general psychiatry, child psychiatry, geriatric medicine, or a high-needs specialty as determined by the Authority.

"Approved postgraduate residency training program" means a residency training program in an approved medical specialty.

"Authority" means the Virginia Health Workforce Development Authority established pursuant to § 32.1-122.7.

"Designated service area" means any of the following located in the Commonwealth: (i) a geographic health professional shortage area designated in accordance with the criteria set forth in 42 C.F.R. Part 5; (ii) a locality designated by the United States Office of Management and Budget as micropolitan or non-metropolitan; (iii) a Federally Qualified Health Center or Rural Health Clinic, as defined in 42 C.F.R. § 405.2401(b); (iv) a critical access hospital as designated pursuant to 42 C.F.R. Part 485, Subpart F; (v) a clinic organized in whole or in part for the delivery of health care services without charge; or (vi) a rural emergency hospital as designated pursuant to 42 C.F.R. Part 485, Subpart E.

"Eligible institution" means any accredited medical or osteopathic school in the Commonwealth that awards the degree of doctor of medicine or doctor of osteopathic medicine and is approved by the program administrator.

"Full-time clinical practice" means the practice of medicine for an average of 40 hours per week for at least 45 weeks per year, of which not less than 32 hours per week is devoted to direct patient care.

"Fund" means the Medical Education Loan-for-Service Fund established pursuant to § 23.1-644.

"Half-time clinical practice" means the practice of medicine for 20 to 39 hours per week for at least 45 weeks per year, of which not less than 18 hours is devoted to direct patient care and which meets such other requirements as are established by the Program Administrator.

"Loan" means a conditionally forgivable loan made under the Program pursuant to this article.

"Program" means the Medical Education Loan-for-Service Program established pursuant to § 23.1-644.

"Program administrator" means the Council, in partnership with the Authority.

"Service agreement" means a written agreement entered into by a loan recipient under the Program to engage in clinical practice in a designated service area for the requisite period as a condition of loan forgiveness.

§ 23.1-644. Medical Education Loan-for-Service Fund and Program established; purpose; administration.

A. There is hereby created in the state treasury a special nonreverting fund to be known as the Medical Education Loan-for-Service Fund, referred to in this section as "the Fund." The Fund shall be established on the books of the Comptroller. All funds appropriated for such purpose and any gifts, donations, grants, bequests, and other funds received on its behalf shall be paid into the state treasury and credited to the Fund. Interest earned on moneys in the Fund shall remain in the Fund and be credited to it. Any moneys remaining in the Fund, including interest thereon, at the end of each fiscal year shall not revert to the general fund but shall remain in the Fund. Moneys in the Fund shall be used solely for the purpose of administering the Program in accordance with the provisions of this article. Expenditures and disbursements from the Fund shall be made by the State Treasurer on warrants issued by the Comptroller upon written request signed by the Executive Director of the Council.

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59 *B. There is hereby established the Medical Education Loan-for-Service Program for the purpose of*
60 *providing loans to any person enrolled in or admitted to an eligible institution that shall be forgiven, in whole*
61 *or in part, upon satisfactory completion of a service agreement in accordance with the provisions of this*
62 *article.*

63 *C. The Council, in partnership with the Authority, shall administer the Program as the program*
64 *administrator, pursuant to a memorandum of understanding establishing policies and procedures for the*
65 *administration of the Program, including policies and procedures for:*

- 66 *1. Processing of applications and awards;*
 - 67 *2. Execution of promissory notes;*
 - 68 *3. Disbursement of funds;*
 - 69 *4. Monitoring of compliance by and communication with recipients;*
 - 70 *5. Administration of loan forgiveness;*
 - 71 *6. Establishment of interest rates, which shall not exceed 10 percent and shall be established in relation to*
72 *the current interest rate for non-need-based federal loans made pursuant to Title IV of the Higher Education*
73 *Act of 1965, as amended;*
 - 74 *7. Consideration of requests for loan deferment, reduced interest rates, or certain waivers;*
 - 75 *8. Collection of loan repayments; and*
 - 76 *9. Reporting of Program data in accordance with § 23.1-648.*
- 77 **§ 23.1-645. Program eligibility; prioritization of applications.**

78 *A. Eligibility to apply for a loan pursuant to the Program shall be limited to any person who has (i)*
79 *enrolled in or been accepted at an eligible institution; (ii) demonstrated financial need, as determined by the*
80 *Council; (iii) agreed to enter into a written agreement to pursue clinical practice in an approved medical*
81 *specialty; and (iv) agreed to enter into a service agreement in accordance with the provisions of § 23.1-646.*

82 *B. The Council, in coordination with the Authority, shall establish policies for the prioritization of the*
83 *selection of applicants, including prioritizing applications from (i) prior-year recipients under the Program*
84 *who are in good standing at the time of reapplication and (ii) applicants who are domiciled in the*
85 *Commonwealth, as established in accordance with § 23.1-502.*

86 *C. The Council, in coordination with the Authority, shall develop a process for eligible institutions to*
87 *nominate students for receipt of support from the Program and, to the extent practicable, ensure*
88 *representation from each eligible institution among applicants selected under this section.*

89 **§ 23.1-646. Receipt of loans; terms and conditions.**

90 *A. Subject to the appropriation of funds for such purpose in the general appropriation act, each loan*
91 *agreement made with a recipient pursuant to the Program shall provide a loan in an amount of up to \$50,000*
92 *for each academic year of participation. Recipients under the Program may renew loans received pursuant to*
93 *the Program on an annual basis for up to four years provided that the total award over such four year period*
94 *shall not exceed a total award amount of \$200,000 for the duration of enrollment at an eligible institution.*
95 *Loans may be awarded retroactively in an amount equal to the amount of tuition paid by a student for any*
96 *academic year successfully completed at an eligible institution for which a loan was not previously awarded.*

97 *B. For each academic year a recipient receives a loan pursuant to the Program, the recipient shall be*
98 *required to complete a service agreement to engage in clinical practice in a designated service area. The*
99 *service agreement shall require the recipient to complete (i) two years of full-time clinical practice for the*
100 *first academic year for which the recipient receives a loan pursuant to the Program and (ii) one additional*
101 *year of full-time clinical practice for each additional academic year for which the recipient receives a loan*
102 *pursuant to the Program. However, the service agreement may be satisfied through half-time clinical*
103 *practice at a rate equivalent to two years of half-time practice for each year of full-time practice required.*

104 *C. Before the award of any loan to a recipient in accordance with the provisions of this article, in*
105 *addition to the service agreement required under this article, the recipient shall also sign a promissory note*
106 *under which such recipient shall agree:*

107 *1. To engage in clinical practice in a designated service area as set forth in such recipient's service*
108 *agreement pursuant to the provisions of subsection B;*

109 *2. To commence the clinical practice described in subdivision 1 no more than nine months after*
110 *completion of an approved residency training program and continue such clinical practice for a consecutive*
111 *period of years under the service agreement;*

112 *3. That the service agreement association with each loan agreement entered into under this article shall*
113 *be in addition to any service obligation required under any other agreement such recipient made for the*
114 *purpose of obtaining any medical student loan, scholarship assistance, or other loan repayment through any*
115 *federal or state program; and*

116 *4. To maintain records and submit such reports as may be required by the program administrator in order*
117 *to document evidence of satisfactory progress toward the completion of education, residency training, and*
118 *the service agreement.*

119 *D. Any loan distributed in accordance with this article shall be evidenced by a promissory note. The*
120 *promissory note shall:*

1. Provide for the loan to be forgiven in full upon the recipient's satisfactory completion of the service agreement;

2. Require cash repayment of the loan, including interest and any applicable penalties, if the recipients fails to (i) graduate from an eligible institution, (ii) complete an approved postgraduate residency training program, (iii) become licensed to practice medicine in the Commonwealth, or (iv) fulfill the terms of the service agreement;

3. Bear an annual interest rate, established by the program administrator pursuant to subsection C of § 23.1-644, accrued upon disbursement of each loan;

4. Include a provision for a one-time penalty, in an amount determined by the Council, not to exceed \$25,000, to be assessed if a recipient becomes licensed to practice medicine in the Commonwealth or any other state or country but fails to fulfill the terms of the service agreement; and

5. Include such other terms and conditions required under this article or as the program administrator deems necessary to ensure the proper administration and enforcement of the Program.

§ 23.1-647. Authority of Council for collection and enforcement; regulations.

A. The Council, in coordination with the Authority, shall promulgate regulations for the establishment of policies and procedures for the administration of the Program, including regulations relating to communication with recipients, loan repayment, loan forgiveness, deferment of service, and penalties. Such regulations shall address, at a minimum:

1. Requirements for recipients to maintain communication with the program administrator throughout the duration of the promissory note agreed to pursuant to § 23.1-646, including requirements for recipients to regularly verify the status of their educational training, practice, and setting and their commitment to seeking loan forgiveness by fulfilling the service agreement or their intention to repay the loan in cash if no longer intending to fulfill the service agreement;

2. Procedures by which recipients may request deferment of their service agreement, not to extend beyond five years from the date on which the service was originally required to commence, except in the case of temporary disability, for any of the following reasons: (i) completion of a medical fellowship following residency; (ii) required active military service of the recipient or the recipient's spouse; (iii) temporary medical disability that renders the recipient unable to engage in the practice of medicine; (iv) family medical leave, including parental leave or leave to care for a member of the recipient's immediate family; or (v) other eligible reasons, as determined by the program administrator;

3. Procedures for the verification by the program administrator of the eligibility of the recipient's practice setting and geographic location, including the procedures governing transitions between approved or otherwise eligible practice sites;

4. Procedures for notifying the recipient of the requirement to repay the loan in cash pursuant to subdivision D 2 of § 23.1-646, including the timeline to commence repayment after receipt of such notification, the timeline to repay the loan, the schedule of payments, and the process for the collection of delinquent debts in accordance with the Virginia Debt Collection Act (§ 2.2-4800 et seq.);

5. Procedures for partial repayment of the loan in instances when a recipient (i) begins practice in accordance with the service but terminates service prior to completion of the service agreement or (ii) begins cash repayment of the loan in accordance with the terms of the promissory note but subsequently reestablishes eligibility for forgiveness by commencing fulfillment of the service agreement;

6. Procedures for any recipient to apply to the program administrator for a reduced interest rate in the event a recipient fails to (i) graduate from an eligible institution; (ii) match with or complete an approved post-graduate residency training program; or (iii) obtain a license to practice medicine in any state or country; and

7. Procedures for the program administrator to forgive all or part of the loan if it is determined, on a case-by-case basis, that repayment or completion of the service agreement is rendered impossible as a result of the death or disability of the recipient.

B. The Council may recover the total amount of funds awarded as a loan under this article, or the appropriate portion thereof, including any penalties and accrued interest, if the recipient fails to complete the service agreement in accordance with the provisions of this article. If any recipient fails to make any loan payment timely and as due, the Council shall notify the Department of Accounts and Office of Attorney General for commencement of collection efforts pursuant to the Virginia Debt Collection Act (§ 2.2-4800 et seq.).

C. All amounts collected under subsection B shall be deposited into the Fund established pursuant to subsection A of § 23.1-644.

§ 23.1-648. Program administrator; report.

A. The program administrator shall annually collect and maintain data as necessary to evaluate the effectiveness and outcomes of the program, including (i) the number and total amount of loans awarded; (ii) the number of recipients disaggregated by eligible institution, specialty, and year of participation; (iii) the number and geographic distribution of recipients who fulfill their service agreement; (iv) the number of recipients who enter repayment or default; and (v) to the extent practicable, the number of former recipients

183 *who remain in practice within a designated service area following completion of their service agreement.*

184 *B. The program administrator shall submit to the Governor and the Chairs of the House Committees on*
185 *Education, Health and Human Services, and Appropriations and the Senate Committees on Education and*
186 *Health and Finance and Appropriations by October 1 of each year a report on the activities of the Program*
187 *during the preceding fiscal year, including (i) the data collected pursuant to subsection A; (ii) any additional*
188 *data on loan awards, loan collections, loan forgiveness, and service locations; and (iii) any*
189 *recommendations for legislative or administrative action as may be necessary to improve the Program's*
190 *effectiveness and sustainability.*

191 **2. That the State Council of Higher Education for Virginia shall promulgate regulations necessary for**
192 **(i) the program administrator of the Medical Education Loan-for-Service Fund and Program (the**
193 **Program), established by the first enactment of this act, to begin receiving applications for the**
194 **Program by January 1, 2027, and (ii) the disbursement of loans under the Program, consistent with the**
195 **provisions of Article 8 (§ 23.1-643 et seq.) of Chapter 6 of Title 23.1 of the Code of Virginia, as created**
196 **by this act, no later than July 1, 2027. The initial adoption of such regulations shall be exempt from the**
197 **Administrative Process Act (§ 2.2-4000 et seq. of the Code of Virginia).**