

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

Public Health Service

Health Resources and  
Services Administration  
Rockville MD 20857

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**Bureau of Health Professions**

Dear HEAL Schools and Lenders:

Subject: Restrictions on HEAL Loans Made Near Or After Graduation

The Inspector General's staff has recently completed an audit of seven HEAL schools and seven HEAL lenders. The auditors found numerous instances of students who received substantial HEAL loans during their month of graduation or after graduation. Many of those loans were for amounts substantially in excess of any debt owed to the school.

Lenders and schools are reminded that the use of HEAL funds is restricted by Federal regulations. Section 60.5(g) of the regulations states:

“...that all funds received under the proposed loan will be used solely for tuition and other reasonable educational expenses, including room and board, fees, books, supplies and equipment, laboratory expenses, transportation and commuting costs, personal expenses, the HEAL insurance premium, and interest on HEAL loans.”

Except in extraordinary circumstances, no HEAL loans should be authorized by a HEAL school within 60 days of a borrower's graduation. Additionally, when schools establish a budget for a student applying for a HEAL loan late in the school year, they should take into consideration only those costs that have not yet been paid, for instance unpaid bills for amounts owed to the school. They should not include room and board costs that have already been paid or other costs not authorized by the HEAL regulations. It is appropriate for schools to make these determinations because section 60.51(c) of the regulations requires schools to certify that a student is eligible to receive a HEAL loan according to the requirements of section 60.5.

It is true that some non-students are eligible to borrow under the HEAL program. Section 60.6 of the regulations, however, sets out detailed requirements that must be met in order to provide a HEAL loan to a non-student. Specifically, the borrower must have received a HEAL loan prior to August 13, 1981, that requires payment of interest, but not principal, during the grace period, internship, residency or deferment. Furthermore, the borrower must agree that all such funds received, while a non-student, will be used solely to pay currently accruing interest on HEAL loans and the HEAL insurance premium. Finally, citizenship, nationality or residency requirements must be maintained by the borrower.

Failure to meet or continue to meet the requirements of the HEAL loan program or failure to use the funds solely for tuition and other reasonable educational expenses could jeopardize the federal insurance of these loans.

It must be emphasized to borrowers that HEAL loans may not be used to pay costs arising after graduation, such as moving expenses or the expenses of setting up a practice.

Sincerely yours,

Michael Heningburg  
Director  
Division of Student Assistance