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July 15, 1985

Bureau of Health Professions

Dear HEAL Schools

We continue to see evidence that some schools are failing to adhere to the regulatory requirement concerning the use of standard budgets in determining the amount a student may borrow under the HEAL program. Section 60.10(a)(4) of the program regulations states:

> The student's estimated cost of attendance <u>shall not exceed the estimated cost of attendance of all students in like circumstances</u> pursuing a similar curriculum at that school. (emphasis added)

We have stated in policy memoranda and in workshops that schools are permitted to change this standard budget to accommodate special circumstances. However, schools are not authorized to make exceptions to the HEAL budget which would not be acceptable in other student assistance programs. Exceptions must be kept to a minimum, and must be accompanied by detailed justification. The justification must become part of the student's financial aid file.

Failure to comply with Section 60.10(a)(4) of the regulations may have serious repercussions:

1)   the student may overborrow and thus unnecessarily increase the amount of the HEAL loan, with greater potential for default.

2)   the school will be in non-compliance with program requirements and thus subject to Section 60.60(a) of the regulations which states:

> The Secretary may <u>limit, suspend,</u> or <u>terminate</u> the eligibility under the HEAL program of an otherwise eligible school that violates any provision of Title VII, Part C, Subpart I of the Act, as amended (42 U.S.C. 294-294e), these regulations or agreements with the Secretary concerning the HEAL program. (emphasis added)

One appropriate penalty for a school that is permitting its students to borrow excessive amounts because of faulty budget construction would be a limit on the overall amount its students are permitted to borrow under the HEAL program. Other penalties, including termination, are possible.