

HEAL School Memorandum Log Sheet
Health Education Assistance Loan Program (HEAL)
Division of Student Assistance, BHP

POLICY BY NUMBER	DATE ISSUED	SUBJECT MATTER	PREPARED
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Bureau of Health Professions
Division of Student Assistance

September 15, 1987

To: Lenders Participating in the Health Education Assistance Loan (HEAL) Program

SUBJECT: HEAL Policy Memorandum (Completing Student Application) Three

This memorandum addresses several questions regarding the HEAL application and clarifies the regulatory requirements regarding maintaining photocopies of HEAL checks, time periods for the approval and disbursement of HEAL checks, and multiple disbursements.

Identification of Dates on HEAL Application

Three sections on the HEAL application which require the school to provide dates do not contain the necessary six (6) spaces to record the month, day, and year. On the HEAL application prepared by the Department, this occurs in Item 19, ACADEMIC YEAR; Item 20, PERIOD OF LOAN; and Item 21, ANTICIPATED DATE OF GRADUATION, each of which request information on only the month and year. For all applications submitted after receipt of this memorandum, schools must identify the day in each of these items. The day should be added after the month and year -- e.g., September 4, 1987 should be recorded as 09 87 04.

Adjustments to Budget and Resources on HEAL Application

Schools have indicated that the HEAL application instructions for Item 22, ESTIMATED TOTAL COSTS OF EDUCATION FOR LOAN PERIOD, and Item 23, ESTIMATED TOTAL FINANCIAL RESOURCES AND OTHER FINANCIAL ASSISTANCE AVAILABLE FOR LOAN PERIOD, are unclear, especially with regard to the lines which request information on the amount of any adjustments to the standard student budget and the amount of any adjustments to the need analysis. Schools have also indicated that this information, although available in the student's complete record, may not be easily accessible, especially for schools with computerized systems which do not include in their data base the initial budget or need analysis figures.

Because of these difficulties, schools may complete these two sections in whatever way is easiest, as long as the TOTAL for Items 22 and 23 accurately reflects the student's budget and resources respectively (e.g., the initial entries may reflect the budget and resources as determined by the school, and the adjustment line may be left blank; or the adjustment line may be used to reflect any adjustments made during the school year, after the school has determined initial budget and resource figures). Schools are reminded that the student's record must continue to include documentation to indicate how the school determined the student's budget and total resources.

Maximum Amount of Loan Approved on HEAL Application

Schools have asked questions regarding Item 24 of the HEAL application, MAXIMUM AMOUNT OF LOAN APPROVED. The instructions state that Item 24 should be the Item 22 TOTAL minus the Item 23 TOTAL. Actually, the Item 22 TOTAL minus the Item 23 TOTAL is the maximum amount that can be shown in Item 24, and there will be situations when the amount shown in Item 24 should be less than this maximum. For example, if the student is requesting less than the maximum for which he or she qualifies, the school should indicate in Item 24 the amount of the student's request rather than the amount for which he or she qualifies. Also, if Item 22 minus Item 23 should exceed the maximum loan amount allowable under the HEAL program, the school should indicate in Item 24 the lesser of these two figures.

Time Periods for Multiple Disbursements

Section 60.33(f).(2) of the HEAL regulations requires a lender to disburse the HEAL loan proceeds in two or more installments unless the loan is intended to cover a period of no more than one-half an academic year, and also requires that the amount disbursed at one time must correspond to the borrower's educational expenses for the period (semester, trimester, or quarter) for which the disbursement is made. This provision prohibits a school from allowing a borrower to receive more HEAL funds during any academic period (semester, trimester, quarter) than he or she needs for that academic period. By doing so, the multiple disbursement requirement helps to prevent a borrower from receiving HEAL funds earlier than necessary (e.g., it prohibits a borrower from receiving HEAL funds at the beginning of first semester that are not needed until second semester). For example, if a school is on a semester system, and is awarding funds for the full academic year, the borrower's second disbursement must not be scheduled earlier than necessary to coincide with the time that the borrower will need his or her second semester funds.

Although multiple disbursements are required if the loan period is more than half an academic year, a borrower who applies for HEAL funds for costs to be incurred during only one semester, trimester, or quarter would not be required to receive multiple disbursements. Similarly, if a borrower is able to wait until second semester to borrow HEAL funds for educational costs that apply to the first and second semester, the school may want to consider any unpaid documented first semester costs as part of the second semester costs. If the borrower were then to apply for HEAL funds to cover only second semester costs, multiple disbursements would not be required. In either of these cases, the school would indicate in Item 19, ACADEMIC YEAR, the beginning and ending dates of the full academic year; in Item 20, PERIOD OF LOAN, the beginning and ending dates of the semester, trimester, or quarter for which the HEAL funds are needed; in Item 22, ESTIMATED TOTAL COSTS OF EDUCATION FOR LOAN PERIOD, that portion of the total academic year costs attributable to the academic period indicated in Item 20; and in Item 23, ESTIMATED TOTAL FINANCIAL RESOURCES AND OTHER FINANCIAL ASSISTANCE AVAILABLE FOR LOAN PERIOD, that portion of the total resources and financial aid designated to be used for the academic period indicated in Item 20. Documentation in the borrower's record must indicate how the school applied the borrower's resources and financial aid to the educational costs for each period of the academic year, and must agree with the information in Items 22 and 23.

Disbursements Scheduled Within 60 Days of Graduation

Except in extraordinary circumstances, student borrowing should not occur, and disbursements should not be scheduled, within 60 days of a borrower's graduation or the end of the academic year. If a school does authorize a loan or loan disbursement within this time period, it must be based on only those costs that have not yet been paid (e.g., unpaid bills for amounts owed to the school), or were paid through short term loans which must be repaid. The school must maintain documentation of these unpaid amounts (or short term loans) in the student's HEAL record.

Change in Amount of HEAL Funds Needed by Borrower

If a school certifies a HEAL application for a specific dollar amount for a full academic year based on the borrower's need, and the amount of the borrower's need decreases prior to the second disbursement, the school must notify the lender in writing of the amount of the decrease. The lender must then decrease the second disbursement amount accordingly, maintaining the documentation from the school as the basis for amending the loan amount by accepting a second disbursement, the school is certifying that the amount of the disbursement does not exceed the borrower's need. If the amount of the borrower's need should increase, the borrower must submit a new application for the additional amount of his or her need.

Resubmission of Borrower's HEAL Application to Another Lender

When a borrower's HEAL application has been certified by the School as meeting the eligibility requirements for the HEAL program (e.g., the financial aid transcript shows no educational loans in default or refunds owed on grants, the school has no reason to believe the borrower may not be willing to repay the loan, etc.), and is subsequently returned to the school by a lender because the borrower did not meet the lender's standards for creditworthiness, the school may resubmit the loan to another lender for consideration. The lender which approves the loan, and not the school, is responsible for determination of a borrower's creditworthiness.

Time Periods for Disbursement of HEAL Checks

Section 60.33(f)(2) of the HEAL regulations states that a lender may not disburse loan proceeds earlier than is reasonably necessary to meet the cost of education for the period for which the loan is made. The Department has received numerous questions regarding the definition of "reasonably necessary." Because health professions students have unique loan periods and can experience extended periods away from the main campus, the Department had intended that lenders and schools determine what was "reasonably necessary" based on the needs of each school and its borrowers. However, due to concern among HEAL schools that checks are being disbursed by lenders earlier than they are needed, the Department is further interpreting "reasonably necessary" as meaning that the HEAL check should not arrive at the School more than the minimum time necessary to ensure the receipt of the check by the school and the student by the REQUESTED INSTALLMENT DATE, as indicated in Item 26 of the application. Fifteen days is a period which the Department believes is representative of such a time.

Photocopies of HEAL Checks

Schools have informed the Department that the requirement in section 60.56(a)(9) of the HEAL regulations, which states that the school must maintain a photocopy of each HEAL check or draft received by the student, has created difficulties due to increased administrative burden and the need to assure that internal controls are adhered to in the timely processing of checks. In response to these concerns, the Department clarifies that schools may comply with this requirement by maintaining a copy of a disbursement roster which contains the information included on the check (i.e., at a minimum, name of lender, date of disbursement, name of borrower, amount of check, parties to whom the check was made copayable).

We appreciate your diligence in assuring that the application is properly completed and in implementing the new HEAL regulations. Questions regarding this policy memorandum should be directed to the HEAL Branch at (301) 443-1540.

Michael Heningburg
Director
Division of Student Assistance

Page 2 - AMENDMENT TO THE PROMISSORY NOTE FOR THE HEALTH
EDUCATION

ASSISTANCE LOAN PROGRAM

This amendment becomes a part of the note and implements changes made by the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, effective August 13, 1981.

A. In paragraph 1 under "Interest" --

1. Place a period after "shall accrue" in the first sentence and delete the remainder of that sentence; and
2. In the second sentence, delete the words "all or part of."

B. In paragraph 2 under "Repayment" change 15 to 25 and 23 to 33 in both places where each occurs.

C. Revise "Deferment" section 2 and add new section 3 as follows:

2. Not in excess of three years for each of the following -when I am:
 - A. a member of the Armed Forces of the United States;
 - B. in service as a volunteer under the Peace Corps Act;
 - C. in service as a full-time volunteer under Title I of the Domestic Volunteer Service Act of 1973; and
 - D. a member of the National Health Service Corps.
3. Not in excess of four years when I am a participant in an accredited internship or residency program.

Borrower

Date

Lender

Date