

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

**Public Health Service**

**Health Resources and  
Services Administration  
Rockville MD 20857**

NOV 18 1988

To: Lenders Participating in the Health Education Assistance Loan  
(HEAL) Program  
SUBJECT: HEAL Defaulter Survey - Lender Policy Memorandum 88- 22

Attached for your information is the final report on the recently concluded survey of HEAL defaulters.

Although the response rate is low we believe the findings are significant. We particularly call your attention to Chapter 7 Recommendations -- concerning lender/borrower communications. The survey results indicate room for improvement.

We recommend the following additional efforts at more effective communication:

- \* as part of the 6 month notice inform borrowers of the advantage of repaying interest as it accrues.
- \* prior to establishing the repayment schedule inform borrowers of the advantages/disadvantages of:
- \* combined payment plans -- see HEAL Policy Memorandum #4
- \* graduated repayment schedules.

Lenders and borrowers may establish repayment schedules that call for negative amortization in the first years of repayment. This provision, which became available in April 1987, is designed to accommodate borrowers with low starting incomes but with anticipated increased future earnings.

- \* provide student borrowers with examples of repayment schedules based on dollar amount borrowed, interest rates and anticipated start of repayment.
- \* contact borrowers in writing, 60 days prior to graduation, concerning post-graduate plans such as internships, residencies, and additional study after graduation. As part of this contact, send borrowers information on deferments. If the borrower does not respond, contact the school to verify the borrower's status, address, and internship or residency plans.

Page 2

Borrowers in repayment have minimal contact with schools and therefore may not be aware of either combined or consolidated payment options. Accordingly, we encourage lenders to inform the borrowers of these options.

We greatly appreciate your participation in the HEAL program and strongly believe that improved communications may reduce HEAL defaults.

Any questions on the survey should be directed to Ms. Virginia Waller at 301-443-4776.

Michael Heningburg  
Director  
Division of Student Assistance

Attachment