

DEPARTMENT OF HEALTH & HUMAN SERVICES

**Bureau of Health Professions
and**

Administration

OCT 4 1991

Health Resources

Services

Rockville MID 20857

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

Subject: Procedures for Handling HEAL Chapter 7
Bankruptcies
HEAL Lender Policy Memorandum #91-4

On August 29, 1991 the Department published regulations in the Federal Register to revise the procedures for handling HEAL Chapter 7 bankruptcies. A copy of these regulations is attached. Insurance claims will no longer be paid when a HEAL borrower files for bankruptcy under Chapter 7 of the Bankruptcy Act. When a HEAL borrower files a Chapter 7 bankruptcy, the lender or holder is responsible for monitoring the bankruptcy case in order to pursue collection of the loan after bankruptcy proceedings have been completed. If the borrower fails to make a payment as scheduled, the lender or holder must attempt to obtain repayment through established HEAL collection activities.

In Chapter 7 bankruptcy cases where a lender or holder was notified of the bankruptcy in writing prior to August 29, 1991, an insurance claim must be filed within 30 days of the notification. When a lender or holder receives written notification of a Chapter 7 bankruptcy on or after August 29, 1991, the case must be monitored according to the revised regulations and cannot be filed as a bankruptcy claim.

As stated in HEAL lender policy memorandum #89-13, dated October 30, 1989, the date of receipt refers to the lender's or holder's initial receipt date, rather than the date of receipt by the employee who prepares the claim for submission to the Department. Documentation of the initial receipt date with a date stamp should be included as part of the claims package; failure to document the initial receipt date with a date stamp may be considered a defect on the basis that the claim would lack evidence of the date of receipt.

If you have any questions concerning the revised procedures for HEAL bankruptcies, please contact John Haczewski on (301) 443-0603.

Sincerely,

Michael Heningburg
Director
Division of Student Assistance