



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Bureau of Health Professions

Health Resources and
Services Administration
Rockville MD 20857

JUL 30 1993

TO: Schools, Lenders, and Holders participating in the Health Education Assistance Loan (HEAL) Program

SUBJECT: HEAL-to-HEAL Consolidation
Lender Policy Memorandum #93-14
School Policy Memorandum #39

Purpose

This memorandum addresses implementation of the HEAL loan consolidation statutory provision, as amended by the Health Professions Education Extension Amendments of 1992 (Public Law 102-408). The HEAL-to-HEAL loan consolidation authority enables borrowers and lenders, by mutual agreement, to consolidate all of the borrower's HEAL loans into a single instrument under the terms applicable to a HEAL loan made at the same time as the consolidation. The purpose of HEAL-to-HEAL consolidation is to assist the borrower in the repayment of these loans.

Borrowers may also consolidate HEAL loans with Title IV loans under section 428C of the Higher Education Act of 1965, as amended. If Title IV loans are involved, the HEAL loans will be paid off and all administration of the reissued loans will be the responsibility of the Department of Education (ED). Accordingly, questions regarding consolidation of HEAL loans with Title IV loans should be directed to ED.

Definitions

For purposes of this memorandum, "holder" refers to the entity that owns the loan prior to consolidation. "Consolidation Lender" refers to the entity that will hold the loan after consolidation.

Benefits of HEAL-to-HEAL Consolidation

HEAL-to-HEAL consolidation offers HEAL borrowers the following benefits:

1. The consolidated loan is serviced by a single lender.
2. A single monthly payment can be made.
3. A consolidated HEAL loan is a **new** loan, containing the same statutory terms that are applicable to a regular HEAL loan made at the same time. For example, if a borrower previously had HEAL loans with differing deferment provisions, the consolidated loan will provide uniform terms based on current statutory provisions. These terms and conditions become effective for the borrower as of the date that the consolidation loan is made. Similarly, the lifetime of the

consolidated loan is based on the date the new loan is made, rather than on the dates of the original HEAL loans.

Eligible Lenders

To offer HEAL-to-HEAL loan consolidation, an institution must be an approved HEAL lender or secondary market. An institution need not be a prior HEAL lender, but must meet all criteria and operating procedures to be a HEAL lender in order to be a HEAL consolidation lender. Any current HEAL lender or secondary market must notify the HEAL Branch in writing prior to initiating a HEAL loan consolidation program. Institutions eligible to initiate HEAL-to-HEAL consolidated loans include the following: (1) a current HEAL lender; (2) a financial or credit institution (including a bank, savings and loan association, credit union, or insurance company; (3) a pension fund approved by the Secretary; (4) a single state agency of a State or a single nonprofit private agency designated by a State and approved by the Secretary; (5) public entities in the business of purchasing student loans; and (6) the Student Loan Marketing Association.

A separate lender loan consolidation identification number (LID) will not be assigned to a current lender. However, any new institution approved as a HEAL consolidation lender will receive a lender identification number.

Eligible Borrowers

Any HEAL borrower with two or more HEAL loans is eligible to request loan consolidation, regardless of the total amount of the HEAL debt. This includes borrowers who have previously applied for and received Combined Payment Plans (CPP), as authorized by the Higher Education Act of 1965, as amended (even if as a result of the CPP option, the borrower has only one combined payment promissory note). This also includes borrowers who are delinquent or in default on the repayment of one or more of their HEAL loans, provided that they can find a lender who is willing to consolidate the loans. However, in cases of delinquency or default, the borrower must pay to the current holder any late fees or collection costs that may be owed on the HEAL loan(s); these fees cannot be made a part of the consolidated loan.

Borrower Selection of Lender

A borrower may choose any authorized HEAL loan consolidation lender that agrees to consolidate his or her loans. The borrower does not have to consolidate HEAL loans with the lender that holds his/her Title IV loans, nor is the consolidation lender required to be currently holding any of the borrower's HEAL loans.

If one lender will not consolidate, then the borrower may go to another HEAL consolidation lender. However, a borrower may not apply to more than one lender at a time, and may only apply to a second lender if the application to the first lender has been denied or withdrawn.

The Department will periodically issue lists of authorized consolidation lenders to participating schools, lenders, and holders.

Time Frame for Loan Consolidation

Consolidation of HEAL loans shall only take place after graduation or other separation from a HEAL school. All of the borrower's HEAL loans must be consolidated at the same time into a single consolidation loan. Loan consolidation must be mutually agreed upon by the borrower and the lender.

Consolidation Loan Application

Borrowers must complete a loan consolidation application to receive a HEAL consolidated loan. Consolidation lenders may require borrowers to complete the standard HEAL application, or may develop their own consolidation application. If the lender uses the standard HEAL application, the lender must instruct the borrower to leave the school portion blank and indicate in item #17: (1) That the borrower is requesting HEAL-to-HEAL consolidation; and (2) the borrower's graduation date, date he/she became less than a full-time student, or date he/she terminated studies at a HEAL school. The lender may also omit the use of items #34 through #37 of the HEAL application. If a lender develops its own application, the application must at a minimum include the information requested on the HEAL application for the student and lender (excluding those items listed above) and include the Equal Credit Opportunity Act Notice, Privacy Act Notification Statement, Financial Privacy Act, Warning Statement, Fraud Statement, Borrower's rights and responsibilities, and Lender certification of compliance with all HEAL statutes, regulations and contracts. The new consolidation application must be submitted to the HEAL Branch for approval.

Lenders are to include with the loan application a "permission" certificate signed by the borrower that authorizes the consolidating lender to obtain loan information from the current holder(s) of the borrower's loans. The certificate will also include a certification by the borrower that no consolidation loan application is pending with another HEAL lender. A sample certificate is enclosed for your consideration.

Verification that all HEAL-loans are included

Under HEAL-to-HEAL consolidation, the borrower is required to include in the consolidated loan all existing HEAL loans. To assure that the borrower does not inadvertently exclude any loans on the consolidation application, the consolidating lender must confirm with the HEAL Branch, before processing the consolidated loan, that the borrower has listed all his or her HEAL loans on the loan consolidation application. This confirmation must be done in writing (by mail or by fax) or by tape-to-tape transmission. Lenders are to provide the HEAL Branch with name and social security number (SSN) of the borrower; the HEAL Branch will then provide all loan data. The lender must certify to the HEAL Branch that

they have the appropriate authority from the borrowers to acquire this information. The HEAL Branch will make every effort to respond to these requests within 10 days of receipt.

HEAL-to-HEAL Consolidated Loan Promissory Note

For HEAL-to-HEAL consolidated loans, the new loan must be documented by a single new HEAL consolidation loan promissory note, which (1) identifies the terms and provisions of the consolidation loan, (2) contains the borrower's name and social security number; and (3) lists all HEAL loans that are being consolidated into the note by name and address of holder, the original principal amount of each loan, and current loan amount. The current balance of the consolidated HEAL loan must be accurate, except for variations that may result from fluctuations in the HEAL interest rate. The final total amount of the consolidated loan reflected on the promissory note may not vary from the consolidated loan amount on the disclosure statement by more than \$2,000 or 5 percent, whichever is lower. Should a variance occur over \$2,000 or 5 percent, a **new** promissory note must be developed and signed by the borrower before the consolidation can be consummated.

A copy of the HEAL consolidation promissory note to be used for consolidated loans is provided with this policy memorandum. If a lender develops its own promissory note, the promissory note must at a minimum include all the documentation on the new HEAL consolidation loan promissory note, and must be submitted to the HEAL Branch for approval.

Consolidating lenders will not be required to obtain copies of the original promissory notes or HEAL applications of the old HEAL loans being consolidated. The holder prior to consolidation is required to retain information on the old HEAL loans a minimum of 5 years as required by Section 60.42(a)(3) of the HEAL regulations.

All consolidating lenders must use a disclosure statement in compliance with Regulation Z that indicates that the consolidating lender is paying to the holder(s), on the borrower's behalf, all outstanding principal and interest for HEAL loans held by the holder(s). A copy of this disclosure statement must be sent to the borrower.

Terms of HEAL-to-HEAL Consolidated Loans

All terms, conditions, and responsibilities associated with a new HEAL loan apply to a HEAL-to-HEAL consolidated loan. The consolidated loan should be treated like a new HEAL loan. The new terms and conditions of the promissory note will apply. A borrower's eligibility for forbearance and deferment will be renewed if the borrower meets applicable regulatory requirements. Interest will accrue at a rate that does not exceed the maximum allowed by law (currently the average of the bond equivalent rates reported for the 91-day Treasury bills auctioned for the preceding calendar quarter plus 3 percent, rounding that amount to the next higher one-eighth of 1 percent) , and may be compounded no more frequently than allowed by law (currently annually).

Credit Worthiness

The HEAL regulatory requirements regarding the determination of credit worthiness are not applicable to consolidated HEAL loans, since these loans have already been insured and determination of credit worthiness was made when the original HEAL loans were insured

Other Consolidated Lender Responsibilities

A HEAL-to-HEAL consolidated loan will be guaranteed under the HEAL program with no additional premium payment. A loan is consolidated by paying, on the borrower's behalf, the proceeds (outstanding principal and accrued interest), and issuing a new promissory note. The borrower may not be charged an insurance premium or fee on a consolidated loan. The multiple disbursement requirements do not apply to consolidated loans.

It is a consolidating lender's responsibility to provide information to the borrower concerning the advantages and disadvantages of loan consolidation. This information, at a minimum, must address forbearance and deferment issues, different graduated repayment plans offered by HEAL lenders (including income contingent repayment plans based on debt-to-income ratios), sample loan interest rates and compounding frequencies, and other new loan provisions versus prior HEAL loan provisions.

Each lender is to provide the HEAL Branch with copies of this "standardized" borrower information for approval prior to implementing the loan consolidation provisions.

Payoff Procedures

Once a holder is contacted by a HEAL consolidating lender, on the borrower's behalf as evidenced by proof of application or verification certificate (enclosed), concerning the payoff amount of the borrower's HEAL loans, the holder must provide the information within 10 days of receipt of the document requesting loan verification and payoff amounts. The payoff amounts should be given for whatever period of time (e.g., 45, 60, or 90 days hence) requested. The holder is to cease requesting regularly scheduled payments from the borrower after the date the payoff amount is received.

If the payoff amount represents an overpayment, the holder must refund the difference to the consolidation lender, who must credit it as a prepayment toward the consolidated HEAL loan. If the payoff amount represents an underpayment, the consolidating lender may either include this amount as part of the consolidation loan or request that the borrower pay this amount to the previous holder.

Records

The consolidating lender must maintain all records on consolidated loans as required by section 60.42 of the HEAL regulations, as if they were newly initiated HEAL loans. This will be the documentation necessary for filing a claim should the borrower default, go into bankruptcy, die or become totally or permanently disabled.

Reporting to the HEAL Branch

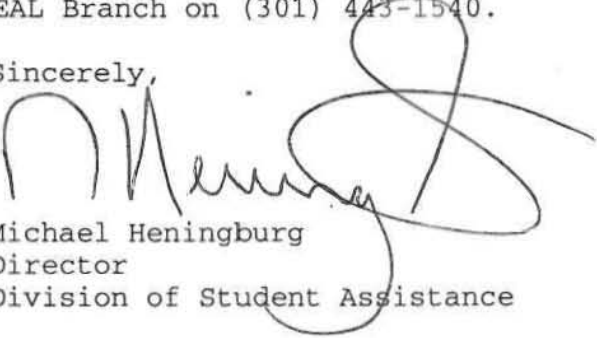
All reporting requirements of the HEAL program apply to HEAL consolidating loans, with the exception of reporting applications and disbursement data. These were reported on the original loans. HEAL consolidating lenders are required to notify the HEAL Branch via the HEAL Loan Transfer Statement (HRS Form 507) within 30 days of the consolidation transaction. If the consolidating lender is the sole holder of all the borrower's HEAL loans, a loan transfer statement reflecting the loan consolidation transaction must be submitted to the HEAL Branch. Separate loan transfer statements, identified by pre-consolidation holder and borrower, must be completed if loans from multiple holders (including the consolidation lender) were consolidated.

Actual Implementation of HEAL-to-HEAL Loan Consolidation

Although this policy memorandum establishes guidance for implementing the HEAL-to-HEAL loan consolidation authority, it is expected that consolidation lenders will need additional time to develop the systems necessary to operate HEAL-to-HEAL consolidation. Accordingly, borrowers may find that this option will not be available to them until early in calendar year 1994. Schools are encouraged to check with the HEAL lenders they deal with to determine when HEAL-to-HEAL consolidation will actually be available.

Questions regarding operational aspects concerning HEAL consolidated loans should be directed to the HEAL Branch on (301) 443-1540.

Sincerely,



Michael Heningburg
Director
Division of Student Assistance

Enclosures:

Promissory Note
Permission Certificate
Verification Certificate

NOTICE:

PROMISSORY NOTE--CONSOLIDATION LOAN (HRSA-500-3):

The attached form is in the process of being printed by the HEAL program. This form may be ordered by lenders around the end of September 1993. At that time you may order this form by contacting the HEAL Branch at (301) 443-1540.

WARNING: Any person who knowingly makes a false statement or misrepresentation in a HEAL loan transaction, bribes or attempts to bribe a Federal official, fraudulently obtains a HEAL loan, or commits any other illegal action in connection with a HEAL loan is subject to possible fine and imprisonment under Federal statute.

Last Name (<i>Print or type</i>)		First Name	Middle Initial	Social Security Account Number (SSN)
Other Name(s) Used				
PERMANENT (HOME) ADDRESS	City	State	Zip Code	Area Code/Telephone Number
TEMPORARY ADDRESS (<i>if applicable</i>)	City	State	Zip Code	Area Code/Telephone Number

**Current Holder
(Name & Address)**

Original Principal
Amount of Loan

Approximate
Current Balance

[illegible]

GRAND TOTAL (including any loans listed on Addendum Sheet)

NOTE: If additional lines are needed use addendum and attach to this promissory note.

I, _____, the borrower, promise to pay to _____,
Name of borrower Name, City, and State of Consolidation Lender
_____, the consolidation lender.

or the subsequent holder of this Note, such loan amount as is advanced on my behalf, interest on the principal sum as set out below, and to pay authorized late charges, all reasonable attorney's fees, and other costs and charges that are permitted by Federal regulations and are necessary for the collection of any amount not paid when due. *I understand that the amount of my loan will be based on the pay-off balances of loans consolidated as provided by the creditors of such loans and may exceed the estimate of such pay-off balances due to fluctuation of the interest rate.*

The Lender and I further understand and agree that:

NOTIFICATION

I must immediately notify the lender (in this Note, the term "lender" includes a subsequent holder of the Note) in writing if any of the following occurs to me before the loan is repaid in full: 1) change of address, 2) name change (e.g., maiden name to married name), 3) failure to begin any activity eligible for deferment status, or 4) cessation of participation in an activity eligible for deferment status.

INTEREST

1. Beginning on the day the loan is disbursed, interest shall accrue. Payment of the interest accruing before the beginning of the repayment period may be postponed until the date upon which repayment of principal is required to begin or to resume. Interest which has accrued and is not paid may be added to the principal sum of this Note not more frequently than every 12 months. Beginning when the repayment period commences, interest shall accrue and be paid as set forth in the Repayment Schedule which the lender shall establish and provide to me. The security with which interest that is not paid shall be added to the principal sum of this

PREPAYMENT

I may, at my option and without penalty, prepay all or any part of the principal and accrued interest at any time.

REPAYMENT

1. Repayment shall be made in monthly installments over a repayment period which starts the first day of the tenth month after the month in which

- (A) I cease to be a full-time student at a HEAL school;
- (B) (1) I cease to be a participant in an accredited internship or residency program of not more than four years in duration, or
- (2) I complete the fourth year of an accredited internship or residency program of more than four years in duration; or
- (C) I cease to be a participant in a fellowship training program not in excess of two years or a participant in a full-time educational activity not in excess of two years which: (1)

NOTICE:

LENDER VERIFICATION CERTIFICATE: The attached lender verification certificate is a "suggested form", approved by the HEAL Branch. If you develop your own form, it must contain the appropriate language and information-gathering material as in the attached form.

Copies of this form are not available from the HEAL Branch, because it is not a government form. However, if you wish to receive a "camera-ready" copy of the "suggested form" in order to make your own copies and insert lender specific identification data, contact the HEAL Branch at (301) 443-1540.

LENDER VERIFICATION CERTIFICATION
Instructions To The Lender

The borrower identified on this verification certificate has requested the lender to combine eligible HEAL loans as authorized by the Health Professions Education Extension Amendments of 1992 (Public Law 102-408).

As part of his/her application for the HEAL-to-HEAL Loan Consolidation the borrower (the "applicant" on this form) must have each HEAL creditor complete a lender verification certificate. The verification certificate will be used to determine the payoff amount for each creditor and to build a correct and complete record of the borrower's current HEAL loan obligations. If any significant discrepancies appear, please contact the consolidation lender immediately.

After receiving the verification certificate and the documents required from the applicant, the consolidation lender will pay off the borrower's indebtedness based on the information provided on the certificate. If payoff amount represents an overpayment, the holder must refund the difference to the consolidation lender. If the payoff amount represents an underpayment, the consolidating lender may either include this amount as part of the consolidation loan or request that the borrower pay this amount to the previous holder.

Please verify all pre-printed information as provided by the applicant carefully and provide any missing data or any corrections to the preprinted information in the shaded area.

1. Name of Consolidating Lender and HEAL approved Six-Digit Lender code.
2. Creditor or Creditor's Servicing Agent: This information was provided by the applicant.
3. Name and Address Where Loan Payoff Should be Sent: Complete this section only if payments are sent to an address different from the preprinted information on the left.
4. Borrower Information: Name, Address, Date of this Application, Social Security Number, and Telephone Numbers as supplied by the applicant.
5. Insert Consolidating Lender Name in Text.
6. Loan Account Number: The number assigned by your institution to the applicant's student loan(s). If the account number is the same for all loans, account number need not be repeated.
7. Original Principal: The original principal amount of the loan.
8. Current Outstanding Balance: The principal amount now outstanding on the loan (include capitalized interest).
9. Interest Rate: The current interest used in the calculation of this loan. Include (V) for Variable Rate or (F) for Fixed Rate. T-Bill Rate: Provide the percent added to the average bond equivalency for the 91-day U.S. Treasury Bill.
10. Date of Disbursement: The month, date, and year that the loan was made.
11. Delinquent by More Than 90 Days or in Default: If loan is more than 90 days delinquent or in default, place a (Y) in the appropriate box.
12. Payoff Amounts: Provide the total amount due to creditor shown on this certificate for 30 days, 45 days, and 60 days from the date of completion of this form. Payoff amounts are to be based on the present quarter's interest rate and T-Bill calculation. If a projected total falls within the following quarter, you may be contacted regarding an adjusted payoff as a result of changes in the quarterly interest rate. Also provide the sum total of all payoff amounts for all loans listed.
13. Payoff Amount and Date: The sum of the non-capitalized interest and principal totals and provide the date of anticipated payoff.
Per Diem: Enter the per diem amount used in completing the payoff amounts.
15. Lender Verification Certificate: Provide signature along with required information of authorizing official.
16. Return Original Copy to Address Indicated.

**HEALTH EDUCATION ASSISTANCE LOAN PROGRAM
CONSOLIDATION LOAN**

LENDER VERIFICATION CERTIFICATE

NAME OF CONSOLIDATING LENDER	LENDER CODE
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Creditor or Servicing Agent:

Name and Address Where Loan Payoff Should be Sent
(if not the same as identified on the left)

Creditor Name:		
Street Address:		
City:	State:	Zip Code:
Contact Name:		
Phone No.: ()		

Borrower Information:

Application Date:	
Social Security Number:	
Telephone (Day): ()	Telephone (Night): ()

The borrower named above has applied to _____, the Consolidation Lender or acting as Lender agent, for consolidation of HEAL loans under Title VII of the Public Health Service Act, as amended.

The purpose of this form is to obtain verification of the eligibility of the borrower's outstanding student loans selected for consolidation. In addition, _____, as instructed by the borrower in writing, requests that payoff amounts be applied for the loan(s) listed below. Please complete this form according to the specific instructions on the reverse, sign, and **return within 10 days of receipt**.

ACCOUNT NUMBER	LOAN ACCOUNT NUMBER	ORIGINAL PRINCIPAL	CURRENT OUTSTANDING BALANCE	INTEREST RATE PLUS % ABOVE T-BILL	DATE OF DISBURSE- MENT	90 DAYS OR MORE DELINQ - Y	PAYOFF AMOUNTS		
							45 DAY *	60 DAY *	90 DAY *
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									

☐ Check here if accounts are in a deferred or grace status

Date deferment ends ____/____/____

Date grace period ends ____/____/____

Current payoff \$ ____ as of ____/____/____

per diem \$ ____

PAYOFF TOTALS

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4. The terms and conditions of repayment shall be set forth in a separate Repayment Schedule which the lender shall establish and shall provide me prior to the beginning of the repayment period.

5. I understand that this loan must be repaid in accordance with my Repayment Schedule. If my account becomes overdue by more than sixty days, the lender must notify an appropriate consumer credit reporting agency of this, which may significantly and adversely affect my credit rating. The lender must also use collection agents and utilize other collection activities (including litigation) if my account becomes overdue.

CREDIT REPORTING AGENCY

My educational institution or my lender may disclose my loan, and any other relevant information, to appropriate consumer credit reporting agencies. If I am more than sixty days past due in making a scheduled payment, the lender of my loan will notify an appropriate consumer credit reporting agency of my past due status, and any other relevant information.

LATE CHARGE

If a scheduled payment is late, I will be charged five cents for each dollar of the installment payment due.

DEFERMENT

1. Monthly installments of principal and interest need not be paid, but interest shall accrue:
 - (A) When I am carrying a full-time course of study at a HEAL school or at an institution of higher education eligible to participate in the Federal Stafford Loan Program.
 - (B) When I am participating in a fellowship training program or full-time educational activity for not in excess of two years as described in paragraph 1 under REPAYMENT above.
 - (C) Not in excess of three years for each of the following when I am:
 - (1) a member of the Armed Forces of the United States;
 - (2) in service as a volunteer under the Peace Corps Act;
 - (3) in service as a full-time volunteer under Title I of the Domestic Volunteer Service Act of 1973; and
 - (4) a member of the National Health Service Corps;
 - (D) Not in excess of four years when I am a participant in an accredited internship or residency program. Except that this limitation of four years also includes any period of deferral of the onset of the repayment period for participation in an internship or residency program.
 - (E) Not in excess of one year, if I received the loan while enrolled in a school of chiropractic and I graduated from a school of chiropractic; and
 - (F) Not in excess of three years, when I have completed an accredited internship or residency training program in osteopathic general practice, family medicine, general internal medicine, preventive medicine, or general pediatrics, and am practicing primary care.
2. To receive a deferment, including a deferral of the onset of the repayment period (see REPAYMENT), I must, prior to the onset of the activity and annually thereafter, submit to the lender evidence of my status in the deferment activity and evidence that verifies deferment eligibility of the activity. It is my responsibility to provide the lender with all required information or other information regarding the requested deferment.

DEATH/DISABILITY

If I die or become totally and permanently disabled, my unpaid indebtedness on this Note shall be cancelled in accordance with applicable Federal statute and regulations.

FORBEARANCE

I have the right to be granted forbearance whenever I am temporarily unable to make scheduled payments on my HEAL loan and I continue to repay the loan in an amount commensurate with my ability to repay the loan unless the Secretary determines that my default is inevitable and the forbearance will be ineffective in preventing default. A lender must exercise forbearance in accordance with terms that are consistent with the thirty-three year limitation on the length of repayment if the lender and the borrower agree in writing to the new terms. Each forbearance period may not exceed six months and the total period of forbearance (with or without interruption) granted to me must not exceed two years unless an extension is granted by the Secretary.

DEFAULT

If I do not make payments when due, my loan may be declared in default. If I default, the Federal Government will take over my loan and I will then owe the Government. The Federal Government will actively pursue me for repayment of the debt, including the use of collection agents and reporting my default to consumer credit reporting agencies or to the Internal Revenue Service for purpose of locating me or for income tax refund offset, and referral to the Department of Justice for litigation. I may be the subject of court action to force me to pay. The Secretary shall also cause to be reduced Federal reimbursements or payments for health services under any Federal law to borrowers who are practicing their professions and have defaulted on their loans, and may make other administrative offsets, including salary offsets for Federal employees. The Government may also report any written off debt to the Internal Revenue Service as taxable income, and may undertake any other debt collection procedures in accordance with the Claims Collection Regulations (45 CFR Part 30).

1. In the event of my default on this loan, the entire unpaid loan including interest due and accrued shall, at the option of the holder of this Note, become immediately due and payable.
2. If I fail to make a scheduled payment, or fail to comply with any other term of this Note, the lender may: (a) refer my loan to a collection agent for further collection efforts; (b) initiate legal proceedings against me; (c) refer my loan to the Secretary for collection assistance; and (d) obtain my address from the Internal Revenue Service, through the Secretary, if the lender has no current address for me.
3. If I fail to make a scheduled payment, or fail to comply with any other term of this Note, any HEAL school or post-graduate training program I have attended may assist in the collection of my loan, including providing information concerning me to the Secretary and to past and present lenders and holders of my HEAL loans.
4. No Federal or State statute, regulation, or administrative limitation shall terminate the period

BANKRUPTCY

I may not have my loan discharged in bankruptcy during the first seven years of the repayment period, under any chapter of the Bankruptcy Act, including Chapter 13. I may have a HEAL loan discharged in bankruptcy after the first seven years of the repayment period, excluding any periods of forbearance and deferment, only upon a finding by the Bankruptcy Court that the non-discharge of such debt would be unconscionable and upon the condition that the Secretary shall not have waived his or her rights to reduce any Federal reimbursements or Federal payments for health services under any Federal law in amounts up to the balance of the loan.

BORROWER'S RIGHTS

1. The lender (holder) cannot change the terms of my HEAL loan without my consent.
2. The lender must provide me with a copy of the completed promissory note when the loan is made. The lender (holder) must return the note to me when the loan is paid in full.
3. The holder will advance funds on my behalf to all creditors who currently hold HEAL loans named on this Note. The funds so advanced will be disbursed to the holder of the loans designated above in order to pay off these loans on my behalf. I further understand that the amount of this CONSOLIDATION LOAN will equal the sum of the amounts which my creditors verify are the pay-off balances on these loans. This amount may be more or less than the estimated total balance indicated above. If verified total balance on loans to be consolidated exceeds the estimate by \$2,000 or 5 percent, whichever is lower, the holder will issue a new promissory note. If the amount the consolidating lender advances to my holder(s) exceeds the amount needed to pay off my balance(s), I understand that the holder will refund the excess to the consolidating lender for application against the outstanding principal balance of my consolidation loan. If the amount the consolidation lender advances to my holder(s) is less than the amount needed to pay off my balance(s), I agree to either pay off the remaining balance or to take such actions as the consolidation lender deems appropriate to authorize the consolidation lender to include the remaining amount in an addendum to this Note.
4. The lender (holder) will provide me with a repayment schedule before the repayment period begins.
5. If the loan is sold from one lender to another lender, or if the loan is serviced by a party other than the lender, the holder must notify me within 30 days of the transaction and I must be sent a notification which spells out my obligations to the new holder.
6. I have a right to a 9-month "grace period" before repayment begins after I have completed school attendance, internship and residency in an accredited program, or a fellowship training program or full-time educational activity approved by the Secretary for this purpose.
7. I have a right to deferment of principal and interest repayments if certain conditions exist. Under deferment I am not required to make payments on the loan principal or interest for a period of time. However, interest continues to accrue during any deferment period. To receive a deferment, including a deferral of the onset of the repayment period (See Section 60.11(a) of the HEAL regulations.) I must, prior to the onset of the activity and annually thereafter, submit to the holder of the note evidence of my status in the deferment activity and evidence that verifies deferment eligibility of the activity. It is my responsibility to provide the holder with all required information regarding the requested deferment.
8. I have a right to prepay the whole or any portion of the loan at any time without a penalty.
9. If I contact the holder of my loan at least 30 but not more than 60 days before the commencement of my repayment period to establish the precise terms of repayment, I may select a monthly repayment schedule with substantially equal installments, a monthly repayment schedule with graduated installments that increase in amount over the repayment period, or a monthly repayment schedule with payments that are based on my debt-to-income ratio during the first 5 years of repayment.
10. My loan obligation will be cancelled in the event of my death or permanent and total disability in accordance with applicable Federal statutes and regulations.
11. "Forbearance" means an extension of time for making loan payments or the acceptance of smaller payments than were previously scheduled to prevent me from defaulting on my payment obligations. I have the right to be granted forbearance whenever I am temporarily unable to make scheduled payments of my HEAL loan and I continue to repay the loan in an amount commensurate with my ability to repay the loan unless the Secretary determines that my default is inevitable and the forbearance will be ineffective in preventing default. A lender (holder) must exercise forbearance with terms that are consistent with the 33-year limitation on the length of repayment if the lender (holder) and the borrower agree in writing to the new terms. Each forbearance period may not exceed 6 months and the total period of forbearance (with or without interruption) granted to me must not exceed 2 years unless an extension is granted by the Secretary.
12. The lender (holder) must notify me in writing of the balance owed for principal, interest, insurance premiums, and any other charges or fees owed to the lender (holder), at least every 6 months from the time my loan was disbursed to me.
13. The lender and I, by mutual agreement, may consolidate all of my HEAL notes into a single instrument under the terms applicable to an insured loan made at the same time as the consolidation. The lender or loan holder should provide full information to me concerning the advantages and disadvantages of loan consolidation.

BORROWER'S RESPONSIBILITIES

1. I understand that there is no interest subsidy on a HEAL loan and that I must pay all interest on the loan. If I do not make payments on time or if I default, the total amount to be repaid will be increased by late charges and may be increased by additional interest costs, attorney's fees, court costs and other collection costs.
2. I must immediately notify the lender (holder) in writing if any of the following occurs to me before the loan is repaid in full: a. change of address, b. name change (e.g., maiden name to married name), c. failure to begin any activity eligible for deferment status, or d. cessation of participation in an activity eligible for deferment status.
3. I must notify the lender (holder) of any occurrence which may affect my eligibility to receive or to continue to receive a deferment of principal and interest payments.
4. To receive a deferment, including a deferral of the onset of the repayment period (See Section 60.11(a) of the HEAL regulations.), I must, prior to the onset of the activity and annually thereafter, submit to the holder of the note evidence of my status in the deferment activity and evidence that verifies deferment eligibility of the activity. It is my responsibility to provide the holder with all required information or other information regarding the requested deferment.
5. I understand that this loan must be repaid in accordance with my repayment schedule.

6. If I do not make payments when due, my loan may be declared in default, if I default, the Federal Government will take over my loan and I will then owe the Government. The Federal Government will actively pursue me for repayment of the debt, including the use of collection agents and reporting my default to consumer credit reporting agencies or the Internal Revenue Service for purpose of locating me or for income tax refund offset, and referral to the Department of Justice for litigation. I may be the subject of court action, to force me to pay. The Secretary shall also cause to be reduced Federal reimbursements or payments for health services under any Federal law to borrowers who are practicing their professions and have defaulted on their bans, and may make other administrative offsets, including salary offsets for Federal employees. The Government may also report any written off debt to the Internal

Revenue Service as taxable income, and may undertake any other debt collection procedures in accordance with the Claims Collection Regulations (45 CFR Part 30).

7. I do not have the right to have my loan discharged in bankruptcy during the first 7 years of the repayment period. This *prohibition* against the discharge of a HEAL loan applies to bankruptcy under any chapter of the Bankruptcy Act, including Chapter 13.1 may have a HEAL loan discharged in bankruptcy after the first 7 years of the repayment period only, excluding any periods of forbearance and deferment, upon a finding by the Bankruptcy Court that the non-discharge of such debt would be unconscionable and upon the condition that the Secretary shall not have waived his *or her* rights to reduce any Federal reimbursements or Federal payments for health services under any Federal law in amounts up to the balance of the loan.

ACKNOWLEDGEMENT

1 acknowledge that I have received, read and understand the provisions of this Note, as set forth on all the pages of this document. . **GENERAL**

The terms of this Note shall be construed according to the Law (42 U.S.C. 292-292p) and the Federal regulation (42 CFR Part 60) governing the administration of the Health Education Assistance Loan (HEAL) Program, copies of which are on file with the holder of this Note.

I am _____
By my signature below I CERTIFY that I have (1) graduated or terminated studies at a HEAL school and all my HEAL loans are listed and (2)

consolidation loan application pending with another lender. I CERTIFY that the above Information is true and correct and I have read and understand my rights and responsibilities regarding the HEAL

Loan under this Promissory Note.

SIGNATURE OF BORROWER	ADDRESS	DATE
SIGNATURE OF ENDORSER (if any)	ADDRESS	DATE

NOTICE: If the borrower is a minor and this Note would not, under applicable State law, create a binding obligation, the lender may require an endorser also to sign this Note. The lender shall supply a copy of this Note to the borrower.

HEALTH EDUCATION ASSISTANCE LOAN PROGRAM

Addendum to Promissory Note—Consolidation Loan

Borrower's Name _____ SSN _____

[illegible]

NOTICE:

PERMISSION TO VERIFY LOAN BALANCES: The attached permission slip is a "suggested form" that must be attached to or printed on each loan consolidation application. This form is not available from the HEAL Branch.

PERMISSION TO VERIFY LOAN BALANCES

To Whom It May Concern: I hereby authorize you to release to the _____

_____ (Consolidation Lender), for purposes of verifying student loan information in order that I may consolidate my HEAL loans into a consolidation loan, any information concerning my student loans that the consolidation lender requests in connection with such loan consolidation. This information is for the use of the lender in consolidating my student loans. A copy of this authorization may be deemed to be an original.

By my signature below I also certify that I have (1) graduated or terminated studies at a HEAL school and (2) no consolidation loan application is pending with another lender.

Your prompt reply and cooperation will help to expedite my loan consolidation. Thank you.

APPLICANT SIGNATURE

DATE

SOC.SEC.NO.

