

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service  
Health Resources and  
Services Administration  
Rockville MD 2M7

Bureau of Health Professions

**APR 28 1993**

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

Subject: Fiscal Year 1994 Implementation of the Health  
Education Assistance Loan (HEAL) School Default  
Rate Performance Standard, Risk-Based Premium  
Lender Policy Memorandum 93-9  
School Policy Memorandum #35

In response to schools, and associations' requests to revise future implementation of the School Default Rate Performance Standard, Section 708(a) of the HEAL statute, the Department will:

- 1) Continue to calculate school default rates as of the end of the Federal Fiscal Year, in this case September 30, 1993;
- 2) Notify the schools of their default rates by December 31, 1993;
- 3) Allow schools until May 31, 1994 to negotiate to buy-down their rates with the Department;
- 4) Inform lenders of applicable default rates, on which borrower insurance premiums are determined, by June 15, 1994.

As a result, the effective time periods for next year's default rates will be from July 1, 1994 through June 30, 1995 and from July 1 through June 30 for all subsequent years. This coincides more closely with the school academic year and should facilitate easier, less confusing loan packaging. School and borrower insurance premiums based on school default rates, will remain constant during an entire academic year and no longer straddle two academic years once the effective date is moved from January 1 to July 1.

Consequently, in order to accomplish these changes, we will extend the effective time period of the current default rates to cover the period from January 1, 1994 through June 30, 1994 to accommodate the transition in the timing as described above. Once again, starting next year, schools' new risk categories will be finalized and become effective on July 1, 1994 not January 1, 1994.

We hope that these changes in policy will benefit the school community and allow more flexibility in implementing this legislative provision. Should you have any further questions, please contact Stephen J. Boehlert, Chief, HEAL Branch at (301)443-1540.

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Division of Student Assistance