

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Health Resources and

Bureau of Health Professions

**Services Administration
Rockville MD 20857**

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

Subject: HEAL-to-HEAL Loan Consolidation- Announcement
Lender Policy Memorandum L-94-6
School Policy Memorandum S-94-6

The Health Professions Education Extension Amendments of 1992, Public Law 102-408, Section 706(e) authorized HEAL-to-HEAL Loan Consolidation. The HEAL Program is announcing that Household Bank, f.s.b. is now ready to implement HEAL-to-HEAL loan consolidation and that Sallie Mae will be ready March 1. We have also provided an update concerning Mellon Bank's terms.

Household Bank, f.s.b.

Household Bank, f.s.b. is currently accepting applications for their loan consolidation program which they consider to be "a prescription for financial health." The interest rates for their consolidation loans are as follows: interest rate over-the-life of the loan is variable and indexed to the average of 91-day Treasury-Bills for the preceding quarter plus,

- 1) 2.45% if loan is less than \$15,001;
- 2) 2.40% if loan is between \$15,001 and \$20,000.99;
- 3) 2.30% if loan is between \$20,001 and \$25,000.99; or
- 4) 2.20% if loan is \$25,001 or greater.

Household Bank will offer three repayment plan options (a level repayment plan and two graduated repayment plans) immediately, and an income sensitive repayment plan option to be available in September 1994.

Information regarding Household's program can be obtained by contacting their HEAL Consolidation Department at 1 (800) 374-9238.

Student Loan Marketing Association (Sallie Mae)

Sallie Mae, the largest holder and servicer of HEAL loans, will be ready with their HEAL-to-HEAL loan consolidation program, the "HEAL Relief Account, " on March 1, 1994. The interest rate on a HEAL Relief Account is variable and indexed to the average of 91-day Treasury Bills for the preceding quarter, plus 3.0 percent. Beginning May 1, 1994 Sallie Mae will offer a 1/4 percentage point interest rate reduction to all of its HEAL borrowers who opt to make their payments automatically through its "Direct Repay" plan.

A second program, HEAL REWARDS, will reduce the interest rate an additional 1/2 percentage point for HEAL Relief borrowers who make their first 48 scheduled payments on time. The two benefits combined reduce the interest rate to the 91-day T-Bill rate plus 2.25% after four years. Sallie Mae will offer three repayment plan options (a level repayment plan and two graduated repayment plans) immediately, and an income sensitive repayment option to be available in September 1994.

Information regarding Sallie Mae's program can be obtained by contacting their HEAL Relief Origination Center at 1 (800) 643-0040.

Mellon Bank -- Update

Mellon Bank, which started its HEALthy Alliance Federal HEAL Consolidation Loan Program in November 1993 has extended its introductory offer of providing a 4.9% fixed annual percentage rate through December 31, 1994. Subsequently, the interest will be variable and indexed to the average of the 91-day T-Bills for the preceding quarter plus 2.7%. Mellon Bank will offer three repayment plan options including an income sensitive option which is available immediately.

Information regarding Mellon's program can be obtained by contacting their HEALthy Alliance Consolidation Program at 1 (800) 421-4817.