

Bureau of Health Professions

Health Resources and
Services Administration
Rockville MD 20857

MAY 2 1995

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

Subject: HEAL Refinancing Procedures: (1) Lender Verification Certificate and
Late Fees, and (2) Reimbursement of Overpayments
Lender Policy Memorandum L-95-11

Introduction

This memorandum: (1) describes a clarification of the loan refinancing process and requirements regarding the completion of loan verification certificates, and (2) sets time limits for lenders/holders/servicers to reimburse refinancing lenders for overpayments made to pay off underlying HEAL loans.

Lender Verification Certificate and Late Fees

To minimize the time it takes to complete a HEAL refinanced loan, the lender verification certificate is to be completed in its entirety by the lender/holder/servicer when received, whether or not late fees are due on the account.

Verification certificates must be completed and returned within 10 days. A verification certificate must not be returned to a refinancing lender incomplete. Any changes made to the verification certificate should be fully documented and supporting material forwarded with the verification certificate to the refinancing lender within the 10-day response period.

Payoff amounts will be computed using the current interest rate, even if the payoff date crosses a quarter end. At the same time a payoff amount is provided, lenders/holders/servicers must notify the refinancing lender of any late fees on the verification certificate. To facilitate this, the HEAL Branch is revising the lender verification certificate to include a line for "Amount Late Fees Due" which will be placed under the payoff total amount. Prior to a revision of the lender verification certificates, handwritten or typed entries for late fees will be acceptable (see attached sample).

To eliminate unnecessary processing time, refinancing lenders may pay the borrower's late fees; however, they must provide a separate check designated for late fees before or at the same time they submit their payoff checks to a lender/holder/servicer. Refinancing lenders are reminded that late fees must be paid before the HEAL loan

refinancing transaction can be completed. If a payoff check is received by the lender/holder/servicer prior to receipt of the late fees payment, the payoff check will be returned to the refinancing lender. Lenders/holders/servicers may want to consider a policy to write-off late fees that total less than \$10 for the benefit of the borrower and the good of the Program.

These changes to the loan refinancing process will identify late fees owed by the borrower and the payoff amounts on loans concurrently. In addition, it will eliminate the preparation of multiple verification certificates which needlessly prolongs the process. As a result, borrowers and lenders will save time and money.

Overpayment Reimbursement

Overpayments made by refinancing lenders to lenders/holders/servicers to pay off the underlying HEAL loans must be returned to refinancing lenders within **60** days of receipt. Any refunds, since they belong to the HEAL borrower, should be credited to reduce the balance of the new refinanced loan within **10** days of receipt.

These process changes are to be effective 14 days from the date of this policy memorandum. If you have any questions, please contact Ms. Terri Ehrenfeld of the HEAL Branch at (301) 443-1540.

Stephen J. Boehlert
Chief, HEAL Branch
Division of Student Assistance

Attachment

PERMANENT AND TOTAL DISABILITY PROCESS

1. Borrower notifies the holder/servicer, via telephone, fax, or letter that he/she is totally and permanently disabled.
2. The holder/servicer places a collection stay on the borrower's account. The borrower is notified by letter of this 60-day collection stay and is mailed the Physician's Certification of Borrower's Total and Permanent Disability form. During this time, the borrower must complete and return all requested documentation (see attachment A). The collection stay on the borrower's account will remain in effect until the holder/servicer receives a response from HHS concerning the permanent and total disability decision.

If the account is with a litigation vendor but the suit has not been filed, the vendor will be instructed to stop collection activity during the collection stay. If suit has been filed against the borrower, the holder/servicer will not dismiss the suit but will seek a postponement of further proceedings. If the court will not agree to a postponement, the holder/servicer will contact the HEAL Branch to obtain written directions on how to proceed further.

3. If documentation is received within 60 days, the holder/servicer will forward a complete package of information for the Surgeon General's Medical Review Board (SGMRB) to Room 834, HHS/SISB within 15 days of receipt, or at maximum 75 days from the initial contact with the borrower. HHS reserves the right to deduct interest for any time exceeding those time frames. In addition, a letter will be sent to the borrower notifying him/her that the request has been forwarded to HHS (see attachment B). Borrower's account should remain in the collection stay until a response from HHS is given.

4. In the event a borrower submits documentation that is obviously insufficient in content or timing, it will nevertheless be forwarded to HHS after the holder/servicer has attempted to get additional information from the borrower within the 60-day collection stay (see attachment C). HHS is responsible for assessing the documentation and deciding on its adequacy, not the holder/servicer.

5. If the borrower does not respond within 60 days to the holder/servicer's request for documentation, collection activity will resume from the point at which it was initially suspended but any administrative forbearance will not be retroactively cancelled. However, if some documentation is submitted by the borrower, the documentation will be forwarded to HHS/SISB and the collection stay will continue pending a decision from HHS.

6. SISB will evaluate the documentation for completeness. Complete documentation will be forwarded to the SGMRB for determination. Incomplete documentation will be returned to the holder/servicer with a detailed letter identifying the missing items. The holder/servicer will terminate the collection stay and collection will resume at the point at which it was initially suspended but any administrative forbearance will not be retroactively cancelled. If the borrower

wishes further consideration, they may submit additional information and all previous documentation at a later date for reconsideration as a new case (see attachment D).

7. Upon receipt of complete documentation, the SGMRB will review the documents and SISB will send written notice of the SGMRB decision to the holder/servicer. That letter will then be forwarded to the borrower by the holder/servicer within 5 working days. Depending on the decision, different letters and procedures will be required. Please see the following examples:

Acceptance: A generic letter will be sent by the holder/servicer to the borrower stating that the disability has been approved and that a copy of HHS's letter is enclosed. The holder/servicer may then submit the claim for review (see attachment E).

Denial: A generic letter will be sent by the holder/servicer to the borrower stating that the disability has been denied and a copy of HHS's letter is enclosed. The holder/servicer will terminate the stay on collection activity and resume collection at the point at which it was initially suspended but any administrative forbearance will not be retroactively cancelled. If the borrower wishes further consideration, they may submit additional information and all previous documentation at a later date for reconsideration as a new case (see attachment F).

Specific Documentation/Deferred: The holder/servicer will send a letter to the borrower stating that additional information is requested and a copy of HHS's letter will be enclosed. The holder/servicer will inform the borrower that they must supply the requested additional information to the holder/servicer within 30 days (see attachment G).

If the borrower does provide the specific documentation requested within 30 days, The holder/servicer will forward the information to HHS within 5 days of its receipt and the collection stay will continue until the holder/servicer receives written notification of a final decision.

If the borrower does not provide the specific documentation requested within 30 days, the holder/servicer will inform HHS of this and the collection stay will continue until the holder/servicer receives written notification of a final decision from HHS.

Interest will continue to accrue during the period of the collection stay. The interest will be capitalized in accordance with the terms of the borrower's promissory note(s).

The holder/servicer will be the sole contact with the borrower. The borrower should not be referred to HHS. If the holder/servicer needs further clarification, they should contact HHS and then relay the response to the borrower.

ATTACHMENT A

James H. Jones
123 Main Street
Anywhere, USA 11111

Dear Mr. Jones:

We received your request to discharge your Health Education Assistance Loan(s) (HEAL) due to total and permanent disability. To be considered for loan discharge, you must complete the enclosed forms and provide additional documentation within 60 days from the date of this letter. The documentation provided cannot be more than four months old (except for background information). Please follow these steps:

STEP ONE: Fill out the borrower's section of the Certification of Borrower's Total and Permanent Disability form.

STEP TWO: Ask your doctor to:

A. complete and certify the Certification of Borrower's Total and Permanent Disability form; and

B. provide a copy of your complete medical and/or hospital records. (include copies of all pertinent past medical records, a prognosis and rehabilitation plan)

STEP THREE: Return all requested information as soon as possible to:
HOLDER/SERVICER
????Address????

When we receive your documentation, we will forward your request to the Department of Health and Human Services (HHS) for consideration. Their medical review board will review your documents to determine your eligibility for discharge of your HEAL loans. Pending a response from HHS on your permanent and total disability status, we will suspend collection activities, however, interest will continue to accrue throughout the process.

You must complete your documentation within 60 days from the date of this letter, since the entire process may take from four to eight weeks.

If you have any questions or need help completing the forms, please call us toll-free at (XXX) XXX-XXXX. Thank you.

Name
Claims Department
HOLDER/SERVICER

Enclosure: Certification of Borrower's Total and Permanent Disability

ATTACHMENT B

James H. Jones
123 Main Street
Anywhere, USA 11111

Dear Mr. Jones:

You recently submitted a request for discharge of your HEAL loan(s) due to total and permanent disability. Your request and the supporting documentation have been forwarded to the Department of Health and Human Services (HHS) where they will be reviewed by a medical review board.

The review process may take from four to eight weeks. The collection "stay" will remain in effect until a decision is received from HHS; however, interest will continue to accrue throughout this process. We will notify you when the decision is made by the medical review board. Meanwhile, if you have any questions, please contact us toll-free at (XXX) XXX-XXXX.

Claims Department
HOLDER/SERVICER

ATTACHMENT C

James H. Jones
123 Main Street
Anywhere, USA 11111

Dear Mr. Jones:

You recently submitted a request for discharge of your HEAL loan(s) due to total and permanent disability. The documentation that was received is not complete. The missing documentation is as follows:

Your request for discharge cannot be processed until all documentation is received. Please forward this information to our office by ____*. Once a complete package is received, your request will be forwarded to the Department of Health and Human Services. Meanwhile, if you have any questions, please contact us toll-free at (XXX) XXX-XXXX.

Claims Department
HOLDER/SERVICER

* Supply the date that is 60 days from the date Attachment A was sent to the borrower

This letter can be used for:

Incomplete documentation (within the 60 days/before package is sent to HHS).

ATTACHMENT D

James H. Jones
123 Main Street
Anywhere, USA 11111

Dear Mr. Jones:

A decision has been made concerning your request to have your HEAL loans discharged due to total and permanent disability. Your request has been denied due to incomplete documentation. Collection activity will resume at the point it was initially suspended. A letter from the Department of Health and Human Services regarding the decision is enclosed.

If you wish further consideration, you may submit additional documentation along with all previous documentation for reconsideration as a new case.

If you have any questions, please contact us toll-free at (XXX) XXX-XXXX.

Claims Department
HOLDER/SERVICER

Enclosure(s)

This letter can be used for:
Incomplete Documentation

ATTACHMENT E

James H. Jones
123 Main Street
Anywhere, USA 11111

Dear Mr. Jones:

A decision has been made concerning your request to have your HEAL loans discharged due to total and permanent disability. Your request has been accepted. A letter from the Department of Health and Human Services regarding the decision is enclosed.

If you have any questions, please contact us toll-free at (XXX) XXX-XXXX.

Claims Department
HOLDER/SERVICER

Enclosure(s)

This letter can be used for:
Acceptance

ATTACHMENT F

James H. Jones
123 Main Street
Anywhere, USA 11111

Dear Mr. Jones:

A decision has been made concerning your request to have your HEAL loans discharged due to total and permanent disability. Your request has been denied. Collection activity will resume at the point it was initially suspended. A letter from the Department of Health and Human Services regarding the decision is enclosed.

If you wish further consideration, you may submit additional documentation along with all previous documentation for reconsideration as a new case.

If you have any questions, please contact us toll-free at (XXX) XXX-XXXX.

Claims Department
HOLDER/SERVICER

Enclosure(s)

This letter can be used for:
Denial

ATTACHMENT G

James H. Jones
123 Main Street
Anywhere, USA 11111

Dear Mr. Jones:

The Department of Health and Human Services' medical review board has requested additional information on your request to have your HEAL loans discharged due to total and permanent disability. A letter from the Department of Health and Human Services regarding their request is enclosed.

In order to fulfill the medical review board's request, you must provide the requested information within 30 days from the date of this letter. Collection activities will be suspended during the 30 days; however, interest will continue to accrue throughout this process.

If you have any questions, please contact us toll-free at (XXX) XXX-XXXX.

Claims Department
HOLDER/SERVICER

Enclosure(s)

This letter can be used for:
Specific Documentation/Deferred