

DEPARTMENT OF HEALTH & HUMAN SERVICES

Bureau of Health Professions

Public Health Service

Health Resources and  
Services Administration  
Rockville MD 20857

JUN 20 1995

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

Subject: Amendment to Electronic Funds Transfer Policy Memorandum L-95-04/S-95-03  
Lender Policy Memorandum L-95-13  
School Policy Memorandum S-95-11

The purpose of this policy memorandum is to notify HEAL lenders and schools of some modifications and clarifications made to the Electronic Funds Transfer (EFT) Policy Memorandum L-95-04/S-95-03. Due to inquiries from schools and lenders, several paragraphs have been re-written to provide clarity. In addition, certain provisions defined in the previous policy memorandum have been modified to better serve both the school and the lender.

(A) A contract must be executed between the school and the lender before the commencement of EFT. Therefore, change the last sentence in the introduction from: "The lenders and schools should accept and agree to the following provisions to be included in the contract." to:

**"Each party agrees to accept and comply with all the provisions cited in the HEAL Lender L-95-04/School S- 95-03 policy memorandum dated December 22, 1994 as amended or modified. In addition, each party will comply with all applicable Department of Health and Human Services laws, regulations and policy guidelines concerning or related to loan disbursement and disclosure."**

In addition, a copy of the Electronic Funds Transfer policy memorandum, L-95-04/S-95-03 must be attached to the contract.

(B) To alleviate excess paper work, the borrower's authorization form must be retained by the school only. Although lenders must still maintain proof of each loan disbursement and include that proof with each claim submission, lenders are not required to submit the borrower's authorization form at the time of claim. Therefore, under School Responsibilities **delete the statement**, "For earlier use of EFT, a separate form must be signed by the borrower and retained by the lender."

(C) Replace Section III of the policy memorandum with:

**111. RETURNS, REFUNDS AND CANCELLATION PROCEDURES**

**Schools are required to return any cancelled funds (funds disbursed to the borrower) to the lender within 120 days of the disbursement date (the date the funds are transferred from the lender to the school) and indicate "returned after disbursement." Furthermore, schools are required to return any funds to the lender that are not disbursed to the borrower within 60 days of the disbursement date and indicate "returned prior to disbursement."**

**Schools may return funds to the lender via Automated Clearing House (ACH), wire or check. When returning loan proceeds to the lender the school must provide the following information with each return: borrower name, social security number, reason for return, amount and date of original disbursement, and amount and date funds were returned to the lender.**

(D) Replace the first paragraph in Section V of the policy memorandum with:

**V. LIABILITY**

**For any reason, if the funds are not returned by the school to the lender within the specified timeframes, the school is liable to the lender for payment of principal plus interest for the period beginning with either the disbursement date or the date of receipt, and ending on the date the funds are received by the lender. If the delay in returning the funds is caused by the borrower, the borrower is then liable to the school for the interest which accrues.**

(E) We also want to clarify that an EFT agreement between a school and a lender can cover one or more disciplines (schools) at a University. The school has the option to determine which type of agreement it wishes to enter into with the lender.

If you have any questions, please contact Ms. Denise Hugueley of the HEAL Branch at (301) 443-0603.

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