

DEPARTMENT OF HEALTH & HUMAN SERVICES

Bureau of Health Professions

Public Health Service

**Health Resources and
Services Administration
Rockville MD 20857**

APR 16 1996

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

Subject: Lender/Holder Authority to Approve Forbearance Requests Beyond Two Years Lender Policy Memorandum L-96-10

Section 60.37 (c)(4) of the HEAL regulations states that total forbearance may not exceed 2 years except when the borrower and the lender or holder believe that there are bona fide reasons why this period should be extended. Further, the lender or holder may grant the extension for the approved time period if the Secretary approves the extension request. This policy memorandum hereby delegates to the lender/holder the authority to approve forbearance requests beyond 2 years, effective immediately, with the following stipulations:

- 1) Each request for forbearance beyond 2 years should be evaluated considering one or more of the following:
 - a) The borrower's payment history;
 - b) debt-load;
 - c) employment history and prospects; and
 - d) income/earning potential.
- 2) Any forbearance period approved beyond 2 years may not exceed six months;
- 3) Lenders/holders are authorized to approve no more than 2 periods of forbearance (total of 12 months) beyond 2 years;
- 4) Borrowers who request more than 2.5 years (total) forbearance should be encouraged to make at least a \$50.00 minimum monthly payment;
- 5) All forbearance requests (beyond 2 years total) should contain a borrower's written explanation (captured on the forbearance form) or verbal explanation (captured on the lender's/holder's servicing history log) that describes how circumstances will change to allow repayment to begin at the end of the forbearance period;
- 6) The lender/holder agrees to report requests for forbearance beyond 2 years, including approvals, denials, and whether the borrower agreed to pay some dollar amount per month, to the Secretary in the manner determined by the Secretary (see attached data file layout);

- 7) Requests for more than 3 years (total) forbearance **must** be submitted to the Secretary for approval; and
- 8) This delegation is solely at the discretion of the Secretary, and may be withdrawn at any time without cause or prior notice.

The lender/holder may deny a borrower's request for forbearance beyond 2 years after considering the above criteria and determining that approving additional forbearance would not be in the best interest of the borrower or the United States Government. It is also recommended that lenders/holders provide borrowers seeking forbearance beyond 2 years with verbal and/or written information concerning income-contingent loan repayment as an alternative to forbearance.

If you have any questions regarding this policy memorandum please contact Ms. Terri Ehrenfeld
of the HEAL Branch at (301) 443-1540.

Stephen J. Boehlert
Associate Director, HEAL
Division of Student Assistance

Attachment