

DEPARTMENT OF HEALTH & HUMAN SERVICES

Bureau of Health Professions

Public Health Service

Health Resources and  
Services Administration  
Rockville MD 20857

JAN 29 1996

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

Subject: Definition of a Continuing Borrower in the HEAL Program  
Lender Policy Memorandum L-96-5  
School Policy Memorandum S-96-4

This memorandum addresses issues concerning "continuing borrowers" under the HEAL program.

To qualify as a "continuing borrower" on or after October 1, 1995, a HEAL borrower must have an existing HEAL loan with one or more disbursements made prior to October 1, 1995, as required by the fiscal year 1996 continuing resolutions. **This loan may be active or paid in full; it may not be canceled.** Schools and lenders must certify an applicant's eligibility prior to issuing a HEAL loan. If an applicant is not a "continuing borrower" as of October 1, 1995, any loans made to the borrower will not be insured. Some possible scenarios and further clarification follows:

- A HEAL borrower who receives one or more loan disbursements prior to October 1, 1995, and subsequently cancels those disbursements, forfeits eligibility for any HEAL loans, regardless of when they are/were made. (This assumes that the borrower has no other HEAL loans that were made prior to October 1, 1995.)
- A HEAL borrower who received disbursements both before and after October 1, and who wants to cancel the disbursements made before October 1, would also be required to cancel the disbursements made after October 1. This would be necessary because canceling the pre-October disbursement(s) would make the borrower ineligible for subsequent disbursements. If the disbursement(s) made after October 1, 1995 is not canceled, the insurance on the disbursement(s) will be canceled. Lenders rely on the application submitted by the school to be correct concerning a borrower's prior participation in the HEAL program. Schools are required to review financial aid transcripts of an applicant before approving a loan and therefore should have information regarding prior loan funds received by the HEAL applicant. If an applicant has attended only one school, the school should carefully review the application to assure that the information concerning prior HEAL loans provided by the applicant is correct. If the applicant has been certified by the school to be eligible for a HEAL loan and found not to have received a HEAL loan prior to October 1, 1995 and attended only one school, that school may be asked to repurchase the loan, since it will be an uninsured HEAL loan.

- If a disbursement check was inadvertently canceled, or extenuating circumstances occurred prior to October 1, 1995, and the check has been reissued by the lender with a date prior to October 1, 1995, the loan will be considered a valid HEAL loan and the borrower will qualify as a continuing borrower. These circumstances will be treated on a case-by-case basis. A new application and promissory note need not be initiated under these conditions, however the borrower should be advised that interest will accrue from the original date of the pre-October 1, 1995 disbursement. A note explaining the circumstances should always be placed in the borrower's school and lender files.

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

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