

Bureau of Health Professions

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

Subject: (1) Administrative Forbearance for HEAL Borrowers who remain affected by the U.S. military involvement in Bosnia, and (2) Biennial audit requirements
Lender Policy Memorandum L-1998-1

FORBEARANCE

HEAL lenders, holders, and servicers are hereby notified that the HEAL Program is authorizing administrative forbearance on a case-by-case basis for any HEAL borrower who is a member of the Armed Forces of the United States, including units of the National Guard and the Reserves, and is involved with the Armed Forces operations related to Bosnia. This policy is consistent with the recent Department of Education policy contained in their September 12, 1997 letter to guaranty agencies.

This administrative forbearance is meant to suspend all repayment/collection activity for a period of time that will end December 1, 1998. All normal repayment/collection activity will resume January 1, 1999. Lenders, holders, and servicers must notify borrowers at least 45 days prior to the scheduled termination of the forbearance period and provide a specific date when repayment/collection activities will resume.

BIENNIAL AUDIT REQUIREMENTS - Reminder

According to section 798(e)(2) of the Public Health Service Act, every lender/holder/secondary market participating in the HEAL Program must complete a biennial audit of its HEAL loan portfolio to participate in the HEAL Program and assure HEAL loans remain guaranteed. Institutions of higher learning and other nonprofit institutions must perform biennial audits in accordance with OMB Circular No. A-133 dated March 8, 1990 and June 24, 1997 and the OMB document, "Compliance Supplement of Audits of Institutions of Higher Learning and Other Non-Profit Institutions" dated October 1991.
Lenders/holders/secondary markets

that are State or local government agencies must complete biennial audits in accordance with the Single Audit Act and OMB Circular A-128. The portion of the audit which relates to HEAL activity must be submitted to one of the following addresses:

Audits for Fiscal Period starting
prior to July 1, 1996

National External Audit Review Center
Office of Audit Services, OIG
Lucas Place, Room 514
323 West 8th Street
Kansas City, MO 64105

Audits for Fiscal Period starting
on or after July 1, 1996

Federal Audit Clearinghouse
Bureau of the Census
1201 E. 10th Street
Jeffersonville, IN 47132

If your HEAL portfolio is serviced by a third party servicer, your loans must be randomly sampled in an audit conducted by an independent auditor. It is not sufficient for a lender/holder/secondary market to use the audit of its servicer as their audit. A separate and distinct audit of each lender's HEAL loan portfolio must be performed.

If you have any questions regarding this memorandum or need audit guidelines and procedures, please contact Ms. Terri Ehrenfeld of the HEAL Program at (301) 443-1540.

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