

DEPARTMENT OF HEALTH & HUMAN SERVICES

Bureau of Health Professions

Public Health Service

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

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

Subject: Objections to the Discharge of a **HEAL** Loan in a Chapter 11 and
Chapter 13 Bankruptcy Proceeding
Lender Policy Memorandum L-1998-6

The HEAL regulation 42 CFR 60.40 (c) (4) states that "a lender or holder must file with the bankruptcy court ... an objection to the discharge or compromise of the **HEAL** loan. . ." for a bankruptcy under Chapter 11 or 13 of the Bankruptcy Act. However, following payment on a claim, DHHS, no longer routinely makes an appearance in these cases or files an objection because of the development of favorable case law which holds that a **HEAL** loan can only be discharged through an Adversary proceeding. Consistent with our practice to handle such cases, effective immediately, lenders, holders, servicers will no longer be required to file an objection to a statement by a debtor in a bankruptcy plan that his/her **HEAL** loan(s) be discharged at the completion of the plan.

If you have any questions regarding this memorandum, please contact Dr. Ram B. Jain, Chief, **HEAL** Program Operations at (301) 443 -1540 or at RJain@HRSA.DHHS.GOV.

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