

Bureau of Health Professions

To: Lenders/Holders/Service Providers Participating in the Health Education Assistance Loan (HEAL) Program

Subject: Development and implementation of Exceptional Performance Standards
HEAL Lender Policy Memorandum L-1999-6

The Health Professions Education Partnerships Act of 1998 (P.L. 105-392) was enacted on November 13, 1998. HEAL Lender Policy Memorandum L-1999-2 (available on our web site at “www.hrsa.gov/bhpr/dsa/pages/1754memo.htm”) summarized the amendments included in this legislation including a provision for the enactment of an exceptional performance standard for lenders, holders, and service providers participating in the HEAL Program.

The exceptional performance standard requires the Secretary to pay 98 percent on approved default claims (excluding bankruptcy, death and disability claims) for those lenders and holders which are not designated for exceptional performance and 100 percent on approved default claims for those lenders and holders which are designated for exceptional performance. Further, it requires (1) annual financial and compliance audits be conducted by lenders, holders, and service providers desiring a performance designation and (2) quarterly audits by a lender, holder, or service provider to maintain its status as an exceptional performer. All costs of audits will be paid by each lender, holder, or service provider. May 1, 1999 is the statutory date for implementation.

Over the past few months the HEAL Program has reviewed the Department of Education Exceptional Performance (EP) Guide as a starting point in the development of the HEAL EP Guidelines. We also met with our two largest service providers of HEAL loans to obtain their comments regarding the implementation of this legislation. Hence, the HEAL Program is still in the development stage and has not produced guidelines for lenders, holders, or service providers to use for audit purposes prior to May 1, 1999.

Nevertheless, legislation requires that implementation of this provision must begin for any default claim submitted to the Secretary for payment on or after May 1, 1999. **In order to meet this legislative mandate, the following process and time frame relating to the HEAL exceptional performance will be put into effect.**

1. April 1 - June 30, 1999 HEAL Program develops exceptional performance guidelines and provides to lenders/holders/servicers.
2. May 1, 1999 All lenders/holders to receive **98** percent payment on approved default claims.
3. July 1 - September 30, 1999 Lenders/holders/servicers have 3 months to perform the annual financial and compliance audit required to become an exceptional performer and submit to the HEAL Program by September 30, 1999.
4. October 1 - October 31, 1999 HEAL Program reviews audits submitted by lenders/holders/servicers desiring to become exceptional performers. Notifies them of review determination.
5. November 1, 1999 All lenders determined exceptional performers will be reimbursed 2 percent plus interest by the Secretary on all claims approved and paid during the period May 1 through October 31, 1999. Interest will be paid based on the interest rate on the approved claim paid.

It is our position that the above process, time frame, and actions are necessary in order to implement this legislation fairly to all concerned. Questions regarding this memorandum may be submitted to Ms. Terri M. Ehrenfeld or Ms. Denise Sorrell of the HEAL Program at (301) 443-1540.

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