



DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Resources and Services
Administration

Bureau of Health Professions

Rockville, Maryland 20857

October 5, 2005

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

Subject: Updated Payment of "Low Balance" Claims HEAL Lender Policy Memorandum L-2006-1

We recently reviewed and changed the policy to pay low balance default claims without requiring litigation. ***This policy L-2006-1 supercedes our previous low balance policy, L-1993-2.*** We increased the outstanding balance limit from \$300 to \$1,000 and removed the reference to the limited amount of interest accrual being part of the outstanding balance. Also eliminated is the case-by-case review of borrowers who did not make regular payments. This revised policy now defines low balance claims as those where a borrower does not completely pay-in-full his or her account in a lump sum payment and an outstanding balance less than \$1,000 remains on the account.

The Department will pay default claims without a judgment where an outstanding balance of less than \$1,000 remains on an account. However, the Department will require that documentation be provided indicating that the lender/holder has made a "good faith" effort to collect these remaining balances from the borrower. In this case, a "good faith" effort is a complete, clearly documented, due diligence cycle.

If you have questions concerning this policy, please call Mr. Dick Horton on (301) 443-1541.

Sincerely,

Henry López, Jr.
Director
Division of Health Careers Diversity
and Development