

STUDENT FINANCIAL AID GUIDELINES

HEALTH PROFESSIONS PROGRAMS

Health Education Assistance Loan Program (HEAL)

U.S. DEPARTMENT
OF HEALTH AND HUMAN SERVICES
Public Health Service
Health Resources and Services Administration
Bureau of Health Professions
Division of Student Assistance

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Chapter 1 INTRODUCTION

The Health Education Assistance Loan (HEAL) has been in operation since 1978. Unlike the other health professions financial aid programs sponsored by the U.S. Department of Education, HEAL is not a campus-based program. That is, funds are not apportioned to the institutions, which in turn distribute awards to individuals students. Instead, the HEAL program operates more like the Federal Stafford Loan and Federal Supplemental Loans for Students Program under Title IV of the Higher Education Act, as amended. *Legislation that enables the program to guarantee new loans to student borrowers expired September 30, 1998. All other provisions of the legislation are continued.*

There are five primary players in the operation of the HEAL loan program: the Department of Health and Human Services, students, institutions, lenders and holders. Brief descriptions of each player's role follows.

The Department of Health and Human Services directs the administration of the program by assuring that the other players comply with statutory and regulatory requirements. In addition, the Department of Health and Human Services reimburses lenders/holders for loans that are not repaid due to defaults, bankruptcy, death, or total and permanent disability of the borrower. The Department also is responsible for collecting on HEAL loans that have gone into default.

Students are the beneficiaries of the HEAL program, because it provides funding to pay for the cost of attendance for their health professions education. Students are also responsible for repaying these loans according to the terms and conditions specified in the law. To obtain a HEAL loan, students must complete an application and meet eligibility requirements.

The institutions certify that the student meets the eligibility requirements for the loan (e.g., enrollment status, citizenship status, financial need). They must then forward the application to the lender. Once the loan has been processed and approved, the institution is responsible for properly disbursing the HEAL proceeds.

The lenders are comprised primarily of financial and credit institutions, and state agencies. *(Note: Schools that became HEAL lenders prior to September 15, 1992 may continue to serve as lenders. No other schools are eligible to become lenders.)* Lenders provide the capital for the loans. Lenders process the HEAL applications that students complete and schools certify. This includes determining borrower creditworthiness, executing promissory notes, and obtaining approval for insurance from the Department of Health and Human Services. Lenders also forward loan proceeds to institutions for applications that have been approved.

The holders of HEAL loans are the entities that own the promissory note. The holder may be the original lender or the organization to which the original lender sells its notes. For example,

the Student Loan Marketing Association (SALLIE MAE) holds the majority of HEAL loans, although it is not the original lender. The holder is responsible for servicing HEAL loans and conducting due diligence when loans become delinquent.

Part IV of this book addresses the institution's role in the administration of the HEAL program in more detail by identifying:

- institutional eligibility and management requirements;
- student eligibility requirements; and
- terms and conditions of HEAL loans.

Part IV does not provide a detailed account of lender responsibilities.

Chapter 2 INSTITUTIONAL PARTICIPATION IN THE HEAL PROGRAM

Section 1 ELIGIBILITY CRITERIA

Institutions must meet certain criteria to be eligible to participate in the HEAL program. These criteria fall into the following categories:

- discipline and degree programs;
- location of the institution;
- accreditation; and
- written agreement between the institution and the Department of Health and Human Services.

A. DISCIPLINE AND DEGREE PROGRAMS

Institutions that offer graduate education in the disciplines and degree programs specified below may participate in the HEAL program:

- doctor of allopathic medicine;
- doctor of osteopathic medicine;
- doctor of dentistry;
- doctor of veterinary medicine;
- doctor of optometry;
- doctor of podiatric medicine;
- bachelor or master of science in pharmacy;
- graduate or equivalent degree in public health;
- masters or doctoral degree in allied health;
- doctor of chiropractic;
- doctoral degree in clinical psychology; and
- masters or doctoral degree in health administration.

Note: Regulations, policies and procedures have not implemented allied health as active disciplines in the HEAL program.

[Sections 703(a) and 719(1) of the Public Health Service Act; 42 CFR Part 60.50]

B. LOCATION OF THE INSTITUTION

To take part in the HEAL program, institutions must be located in a State, the District of Columbia, the Commonwealth of Puerto Rico, the Northern Mariana Islands, the Virgin Islands, Guam, American Samoa or the Trust Territory of the Pacific. Foreign schools are not eligible to

participate in the HEAL program, even though some foreign schools are permitted to participate in the Federal Family Education Loan Programs (previously called the Guaranteed Student Loans) administered by the Department of Education.

[Section 799(9) of the Public Health Service Act]

C. ACCREDITATION

A health professions school interested in participating in the HEAL program must be accredited by an appropriate accrediting body that is recognized by the Secretary of Education. If a new school has not been operating for a sufficient time to be accredited, the Department of Health and Human Services will consider the school accredited under the following condition:

- The Secretary of Education must find, after consultation with the appropriate accreditation body or bodies, that there is reasonable assurance that the school will meet the required accreditation standards prior to the beginning of the academic year following the normal graduation date of the first entering class in such school or program.

The approved accrediting bodies for health professions schools are as follows:

- allopathic medicine: Liaison Committee on Medical Education, the American Medical Association, and the Association of American Medical Colleges
- osteopathic medicine: American Osteopathic Association
- dentistry: Commission on Dental Accreditation
- veterinary medicine: American Veterinary Medical Association
- optometry: Council on Optometric Education of the American Optometric Association
- podiatric medicine: Council on Education of the American Podiatric Association
- pharmacy: American Council on Pharmaceutical Education
- public health: Council on Education for Public Health

- allied health: American Medical Association Committee on Allied Health Education and Accreditation
- chiropractic: Council on Chiropractic Education
- psychology: Committee on Accreditation of the American Psychological Association
- health administration: Accrediting Commission on Education for Health Services Administration

[42 CFR Part 60.50]

D. WRITTEN AGREEMENT

A health professions school that is otherwise eligible to participate in the HEAL program must enter into an agreement with the Department of Health and Human Services. The agreement must state that the institution will comply with statute and regulations governing the HEAL program. In addition, the institution must satisfy requirements with respect to discipline and degree programs offered, location and accreditation.

If an institution undergoes a change of controlling ownership or form of control, its agreement automatically expires at the time of that change. The school must notify the HEAL program and enter into a new agreement with the Department of Health and Human Services to continue participation in the HEAL program.

[42 CFR Part 60.50]

E. DEFAULT RATE STATUS

Effective January 1, 1993, any school with a HEAL default rate in excess of 20 percent became ineligible to participate in the HEAL program. There are two exceptions to this requirement:

- historically black colleges and universities (HBCUs) with HEAL default rates above 20 percent may continue to participate in the HEAL program until October 13, 1995 as high-risk schools; and
- the Department may grant a waiver if it determines that the default rate for the school is not an accurate indicator due to a school's low HEAL volume.

In addition, schools have the right to appeal their ineligibility to the Department based on mitigating circumstances.

[Sections 708(b)(4) and 708(d) of the Public Health Service Act]

1) RISK CATEGORIES

Schools with default rates at or below 20 percent may continue to participate in the HEAL program. However, these schools are divided into three risk categories that determine the amount of the insurance premium the borrower *and the school* must pay on each HEAL loan issued.

The risk categories are:

- low-risk--the school has a HEAL default rate of 5 percent or less;
- medium-risk--the school has a HEAL default rate that is greater than 5 percent but no more than 10 percent; and
- high-risk--the school has a default rate that is greater than 10 percent but no more than 20 percent.

See [Chapter 3 Section 4A](#) for more information on insurance premiums paid by borrowers and schools.

[Section 708 of the Public Health Service Act]

2) DETERMINING A SCHOOL'S RISK CATEGORY

Each school's risk category is determined every September 30 by calculating the institutional default rate. The risk category becomes effective July 1 through June 30 of the following year.

The school's default rate is calculated as follows:

The total principal amount of HEAL loans made to students of a school for a period of enrollment (or expected enrollment) that entered into repayment status after April 7, 1987 for which claims have been paid due to default or bankruptcy.

Minus

Defaulted HEAL loans for which the borrower has made payments to the Department of Health and Human Services for 12 consecutive months in accordance with a repayment agreement, and HEAL loans that have been discharged due to bankruptcy.

Divided By

The total principal amount of HEAL loans made to students of a school for a period of enrollment (or expected enrollment) that entered into repayment status after April 7, 1987.

[Section 719(5) of the Public Health Service Act]

3) CHANGING A SCHOOL'S RISK CATEGORY

Statute permits schools to pay off outstanding principal and interest owed by borrowers who have defaulted on their HEAL loans. Schools may use this option as a mechanism to reduce their institutional default rates, thus maintaining eligibility (if the default rate is over 20 percent) or moving to a lower risk category.

[Section 708 of the Public Health Service Act]

4) DEFAULT MANAGEMENT PLANS

Schools with default rates greater than five percent, but no more than 20 percent, must prepare an annual default management plan.

The default management plan must specify the detailed short-term and long-term procedures that the school will have in place to minimize HEAL defaults. Under the plan, the school must provide an exit interview to all borrowers. The exit interview is to include information concerning repayment schedules, loan deferments, forbearance, and the consequences of default. This requirement also applies to any historically black college or university (HBCU) that has a default rate greater than 20 percent and continues to participate in the HEAL program during the three-year transitional period which ends on October 13, 1995.

The Department of Health and Human Services may grant a waiver of the default management plan requirement if it determines that the default rate for the school is not an accurate indicator due to low HEAL volume.

[Section 708 of the Public Health Service Act]

Section 2 PRIMARY ADMINISTRATIVE AND FISCAL RESPONSIBILITIES

Schools that take part in HEAL must observe five basic administrative and fiscal responsibilities. These consist of:

- properly and efficiently administering the funds received under the program;
- protecting HEAL borrowers' rights and responsibilities;
- notifying the lender/holder of changes in enrollment status;
- protecting the United States against unreasonable risk of loss due to defaults; and
- complying with application requirements for HEAL schools.

To assure that institutions uphold their responsibilities, the statute authorizes the Secretary of Health and Human Services to prescribe regulations to provide for:

- institutional fiscal audits conducted biennially;
- establishment of reasonable standards of financial responsibility and appropriate institutional capability;
- limitation, suspension or termination of institutions that fail to carry out prescribed regulatory provisions;
- collection of information from borrowers, lenders or eligible institutions to assure compliance with provisions concerning borrower eligibility and loan terms;
- assurances that tuition and fees charged to borrowers do not exceed tuition and fees charged to nonborrowers;
- submission of information by institutions and lenders about each HEAL to the Office of Health Education Assistance Loan Default Reduction;
- denial of certain institutional services to borrowers who have defaulted on their HEAL loans; and
- availability of a variety of repayment options to be offered by the lender to the borrower.

[Section 715(a) of the Public Health Service Act; 42 CFR Part 60.55]

Section 3 PROCESSING APPLICATIONS

A. SUPPLY OF APPLICATIONS

The Department of Health and Human Services supplies HEAL application forms. However, lenders and schools are permitted to print their own HEAL forms with the approval of the Department's HEAL Branch.

In some instances, camera-ready copies of HEAL application forms have been provided to large volume HEAL participants by the HEAL Branch. If the camera-ready copies are used, the only permissible changes to the form without HEAL Branch approval are the inclusion of the institution's name, address and lender or school identification code. In those cases, special HEAL Branch approval is not necessary. HEAL approval is needed for any other changes to the official HEAL application that institutions printing their own forms wish to make.

For approval, send proposed forms to:

DHHS/HRSA/BHPR
HEAL Program
5600 Fishers Lane, Room 8-37

Rockville, Maryland 20857

An institution may use the same address to request initial supplies of HEAL applications. For more forms after the initial supplies run out, institutions may call the HEAL Branch at 301-443-1540.

[42 CFR Part 60.19]

B. COMPLETING THE APPLICATION

Institutions must accurately and completely fill out their portion of the HEAL application to certify that students meet the eligibility requirements for HEAL funds. Regulations also prohibit blank application forms to be signed by a borrower, a school, a lender or an agent of any of these parties.

The school certification of a HEAL loan includes supplying the institution's five-digit identification number, the borrower's anticipated date of graduation, the borrower's cost of attendance, his or her resources and need for the HEAL loan. Documentation supporting estimated costs and resources must be maintained by the school in the borrower's official records. In addition, the school must always report the estimated installment amounts of the loan and the estimated disbursement dates. (More information on disbursements appears in [Chapter 2, Sections 3 and 4.](#))

The HEAL application form expired on October 31, 1998 since legislation to make new loans was not continued.

[42 CFR Parts 60.7, 60.51 and 60.51]

1) APPLICATION DEADLINE

Although policy restricts HEAL loans from being authorized 60 days prior to graduation or the end of the academic year (see [Chapter 2, Section 3.F.3.d, Establishing Need 60 Days Before Graduation](#)), there is no application deadline for HEAL loans *per SE*. However, lenders may establish their own cutoff dates. Because situations arise in which students legitimately require assistance from HEAL funds late in the academic year, the Department of Health and Human Services insures loans if:

- the student and the student's institution complete their portions of the HEAL application form before the end of the academic year; and
- there is clear documentation that the loan is being requested to pay for educational expenses already incurred by the student, but not yet paid.

In these instances, disbursement must occur no later than 60 days after the end of the academic year.

C. VERIFYING APPLICANT INFORMATION

An institution must verify to the best of its ability the information students supply to obtain HEAL loans. The method for verification is left to the institution's discretion. For example, the institution is permitted to use the same procedures as those required to verify applications for Title IV funds authorized under the Higher Education Act. However, schools must compare the information on the application with information on previous applications and other records provided by the student to the school. This includes information submitted to the financial aid office and other offices at the school, such as admissions and registrar. Should discrepancies exist that cannot be resolved between the school and the student, the school is obliged to notify the potential lender.

[42 CFR Parts 60.51 and 60.61]

1) ITEMS TO BE VERIFIED

The regulations specify that the items to be verified include--but are not limited to--citizenship status and social security number. The regulations also provide examples of how to comply with the requirement of verifying these two items. Schools may request:

- certified copies of students' birth certificates or naturalization papers to verify citizenship status; and
- original social security cards or copies issued by the Federal Government.

Note that the institution may choose to use other forms of documentation or procedures, except for applicants who are permanent residents.

[42 CFR Part 60.51]

2) VERIFYING PERMANENT RESIDENCY

In these cases, the applicant must supply his or her *original* I-151 or I-551 card, which the school must photocopy for its own files and forward to the lender attached to the HEAL application. The photocopy must be legible. Schools should be able to determine the authenticity of the card by moving the card slightly to determine if the I-151 or I-551 is superimposed diagonally across the card in accordance with INS instructions. Schools also are encouraged to work with other

offices, such as the admissions office and registrar's office, to double check the citizenship/residency status of HEAL applicants.

No other form--such as an I-94, I-688, I-689, or passport--is acceptable in the HEAL program. Further, a student with an I-151 or I-551 is not a "conditional resident." Schools can determine if an applicant is a conditional resident by checking the "Class Code" on the I-551 card. If the Class Code is listed as "CR" then the applicant is a conditional resident and is *not* eligible for a HEAL loan. If a conditional applicant has requested the INS to remove the "CR" status, they must be in possession of a letter from the INS stating (1) request has been approved by the INS, (2) applicant is deemed a lawful permanent resident with removal of the "CR" class code, and (3) issuance of a new class code is referenced in the letter. Applicants with any other Class Code are eligible for a HEAL loan, provided they meet the other student eligibility criteria.

Readers can find more information on student eligibility criteria in [Chapter 3, Section 1](#).

[42 CFR Part 60.51]

D. REVIEWING FINANCIAL AID TRANSCRIPTS

An institution must obtain financial aid transcripts (FAT) for each school the HEAL applicant attended at least half-time. At a minimum, the FAT must include:

- the student's name;
- amounts and sources of loans and grants previously received by the student from study at an institution of higher education;
- whether the student is in default on any of these loans, or owes a refund on any grants;
- certification from each institution attended by the student that the student has received no financial aid, if applicable; and
- from each institution attended, the signature of an official authorized to sign the FAT on behalf of the school completing the transcript.

The purpose of collecting FATs is to determine whether the applicant is in default on any loans or owes a refund on any grants. If the applicant is in default or owes a refund, then he or she is not eligible for a HEAL loan. This means that the school may not approve the application or disburse HEAL funds unless or until the applicant has made satisfactory arrangements with the affected lender(s) or school(s) to resolve the default or refund.

Institutions may approve HEAL applications and make disbursements on the first HEAL installment without an FAT. However, the applicant must have requested that an FAT be forwarded to the institution prior to the time the school approves the application, and the

institution must have received the FAT before accepting subsequent disbursements from the lender.

[42 CFR Part 60.51]

E. BORROWER'S WILLINGNESS TO REPAY THE HEAL LOAN

A school must not approve HEAL applications for students whom it has reason to believe may be unwilling to repay the loan.

[42 CFR Part 60.51]

F. DETERMINING THE AMOUNT OF THE HEAL LOAN

The school must identify an eligible student's need for HEAL by comparing all the financial resources of the student against the standard budget developed by the institution. In other words, the school determines the most the student is permitted to borrow under the HEAL program in a given academic year by subtracting his or her resources from the standard budget. The following equation illustrates:

$$\begin{array}{c}
 \text{Standard Student Budget} \\
 \textit{minus} \\
 \text{Student's Total Financial Resources} \\
 \textit{equals} \\
 \text{Amount of HEAL for which the Student is Eligible}
 \end{array}$$

The equation above notwithstanding, no student may receive more than the applicable legal maximum under the HEAL program (See [Chapter 3, Section 2, Loan Amounts](#)). In addition, loans generally must be disbursed in two or three installments during the loan period. More information on multiple disbursements of HEAL loans appears in [Section 4](#) below.

[42 CFR Parts 60.10 and 60.51]

1) TOTAL FINANCIAL RESOURCES

Total financial resources consist primarily of:

- the calculated expected family contribution based on the need analysis formula in Title IV of the Higher Education Act; and
- the student's estimated and actual financial aid from other sources.

The school may make adjustments to the statutory need analysis formula only when necessary to reflect accurately the applicant's actual resources derived from family, spouse, or personal income, or other financial assistance that the applicant has received or will receive. This means that in addition to taking the calculated expected family contribution and financial aid awards into account to determine eligibility for HEAL funds, schools also must consider other information which the school has regarding the student's financial situation. Schools must maintain records in students' files documenting any adjustment to the need analysis calculation.

[42 CFR Part 60.51]

2) STANDARD STUDENT BUDGETS

The standard student budget--also called the "cost of attendance"--is a required component of determining need for HEAL funds. Schools must construct standard student budgets by determining the costs reasonably necessary to maintain a student in a given program. Further, institutions may not use budgets for HEAL funds that differ from budgets used for other financial aid programs, such as those authorized under Title IV of the Higher Education Act, as amended, and administered by the Department of Education.

The components of a standard student budget include tuition and other reasonable educational expenses. Reasonable educational expenses consist of:

- fees;
- books, supplies and equipment;
- laboratory expenses;
- reasonable living expenses;
- reasonable transportation costs, only to the extent that they are directly related to the borrower's education; and
- the HEAL loan insurance premium.

Schools must use the standard student budget uniformly and consistently. This means an institution must apply the same standard student budget for students, if they are:

- in the same or similar program/curriculum;
- within the same class year (e.g., freshman, sophomore, third-year graduate student, etc.); and
- in the same period for which the HEAL loan is requested.

As a result, all first-year medical students requesting HEAL loans for the full academic year attending the same school must have the same standard student budget. This does *not* mean that the budget for a first-year dental student, a third-year medical student and a fourth-year graduate

student in clinical psychology at that institution has to be the same. However, the budgets for these students may not differ from other dental, medical or graduate clinical psychology students in the same program during the same loan period. Institutions must include a record of the standard budget in each HEAL borrower's file. If the school adjusted the standard budget, the HEAL borrower's file must contain the budget actually used to determine the amount of HEAL he or she may borrow.

Regulations require institutions to maintain documentation of the criteria they used to develop their standard student budgets. The documentation must be maintained in the school's general records, such as in the financial aid office's policies and procedures manual or in a separate file that is either paper-based or electronic. In any event, the information must be readily accessible for audit purposes.

[Section 715(a)(5) of the Public Health Service Act; 42 CFR Parts 60.5, 60.10, 60.51 and 60.61]

3) MAKING ADJUSTMENTS TO THE STANDARD BUDGET IN INDIVIDUAL CIRCUMSTANCES

Schools may adjust the standard student budget for individual circumstances, but this authority must be used judiciously and be very well documented. The Department of Health and Human Services strongly believes that exceptions must be kept to a minimum and must be accompanied by detailed justifications, which become part of the student's financial aid file. All justifications for standard budget exceptions must be in writing and backed by at least one outside document such as a paid voucher, signed and notarized statement verifying need, or an estimate for a provider of services. Each document should be signed and dated by the financial aid administrator.

Institutions may make adjustments only to the extent necessary to assure that the borrower can complete his or her course of study. Note that schools are *not* authorized to make exceptions to their own established standard student budgets which would not be acceptable in other student assistance programs, such as the Title IV programs under the Higher Education Act.

For information on including the cost of traveling to residencies as part of the standard budget, see [Chapter 2, Section 3F3C, Travel To Residency Sites](#).

The rule of thumb based on regulations for making adjustments is that students in like circumstances should have like costs of attendance. Failure to comply with the regulatory requirement that a "student's estimated cost of attendance shall not exceed the estimated cost of attendance of all students in like circumstances pursuing a similar curriculum at that school" may have serious repercussions, as follows:

- The student may borrow too much, unnecessarily increasing the amount of his or her HEAL loan, thus increasing the potential for default.
- The school will be in noncompliance with program requirements, putting it at risk for limitation, suspension or termination.

[Section 705(a) of the Public Health Service Act; 42 CFR Parts 60.10, 60.51 and 60.61]

a) DEPENDENT CARE ALLOWANCE

The HEAL regulations require schools to use a standard student budget when determining the amount of HEAL funds for which a student qualifies. This requirement precludes the school from using a budget for the HEAL program which differs from the budget it uses for its other financial aid programs, including programs administered by the Department of Education (ED).

However, there has been some confusion in the past about whether the budget used for funds administered by ED can include living costs associated with a student's dependents as part of the so-called dependent care allowance. Schools can interpret the dependent care allowance to include costs that would offset a calculated negative available income for independent students with dependents on an across-the-board basis. In these cases, the school's policies and procedures should indicate that the standard allowance may include the deficit in the student's income. This would allow the institution to include the additional costs in the dependent care allowance without requiring documentation under professional judgement. Schools with additional questions regarding how to include living costs associated with dependents in the standard budget should refer to pertinent ED publications.

b) TRANSPORTATION COSTS

Regulations require that the transportation costs included in a student's budget, whether standard or adjusted, be "reasonable" and "directly related to the borrower's education." The Department of Health and Human Services has developed policy guidelines for institutions to determine reasonable transportation costs. These guidelines, which appear below and schools must follow, apply to the development of standard budgets as well as adjustments to standard budgets:

- The transportation allowance included in a standard student budget must be based on a reasonable determination of transportation costs necessary for the student to complete his or her course of study (e.g., commuting expenses, mileage allowance, etc.). The basis for the transportation allowance, as well as other budget allowances, must be retained in school files.

- The school must maintain complete documentation to support the need for a budget adjustment as part of the student's financial aid record.
- The transportation allowance is provided to cover the transportation needs of the student directly related to his or her education. In no instance may the costs associated with the motor vehicle of a spouse or other family member be included as part of the standard budget or as a budget adjustment.
- Institutions cannot include costs associated with payments for motor vehicles as part of the standard student budget.
- A school may *only* increase the standard transportation allowance for costs associated with motor vehicle payments if the school determines on a case-by-case basis that such an increase is necessary for the student to complete academic requirements that are off-site from the institution. Examples of academic requirements conducted off-site include clerkships, clinical rotations and training, preceptorship and so forth. In these cases, the adjustment to the standard budget for the transportation costs can only be made for the academic period during which the student must complete the academic requirements from the institution. The financial aid administrator must evaluate other possible transportation alternatives--such as public transportation, car pooling and car rental--and document that these alternatives are infeasible, before permitting an adjustment to the standard budget.
- Any school that allows motor vehicle payments to be a legitimate adjustment to the standard budget in accordance with the procedures outlined in this section must develop a written institutional policy. The policy must have modest but reasonable parameters and can be subject to review and approval by the Department of Health and Human Services. In addition, the Department requires the review of each institution's policy during its biennial audits and during any program review conducted by the Department. The Department can use findings from audits and program reviews as the basis for requiring an institution to modify its policy.

[42 CFR Part 60.5]

c) TRAVEL TO RESIDENCY SITES

Reasonable costs associated with travel to residency sites are allowable as a standard budget item or as an exception to the standard budget. These can be considered a necessary educational cost since the residency site visits must occur during the final academic year and are directly related to

the borrower's educational program. However, as with other budget items, schools are responsible for developing modest but reasonable allowances for this item, and must maintain documentation to support their determination.

Note that the Department of Education does not consider travel to residency sites as a permissible budget item unless the travel is a prerequisite to graduating from the academic program in which the student is engaged. As a result, institutions need to be sure that they are not creating over awards in other financial aid programs by permitting the use of HEAL funds for residency travel.

d) ESTABLISHING NEED 60 DAYS BEFORE THE END OF AN ACADEMIC YEAR

Schools may not include expenses for which the student (or other party) has already paid in determining eligibility for HEAL loans to be disbursed within 60 days of the end of the academic year. Unless there are extenuating circumstances, such as short-term loans made to cover educational expenses prior to receipt of the HEAL proceeds, costs that are already paid must be eliminated from the budget used to calculate financial need for the HEAL loan. In these instances, budget figures should reflect the true need of the borrower and can only be computed for the time remaining in the academic year or for educational expenses actually incurred, but are unpaid.

Schools may wish to inform students that they may not borrow from HEAL to cover cash advances from credit cards used to pay for educational expenses. The reason for this policy is that there is no proof that the cash advance was made to pay for educational expenses.

Notwithstanding the 60-day policy restriction on processing HEAL loans, there is no application deadline for HEAL loans *per SE*.

e) ESTABLISHING NEED 60 DAYS BEFORE GRADUATION

Students should not borrow HEAL within 60 days of graduation. Similarly, HEAL proceeds should not be disbursed during this time period. However, exceptions are permitted.

If a school does authorize a loan or loan disbursement within 60 days of graduation, the school must base the amount of the loan only on unpaid costs or expenses that have been covered by short-term financing arrangements which must be repaid. An example of such costs include tuition owed to the school. The school must maintain documentation of these unpaid costs. Under no circumstances may HEAL loans be used to pay for postgraduate costs, such as moving to a residency site or place of employment or setting up a practice.

Section 4 DISBURSEMENT OF HEAL FUNDS TO STUDENTS

A. GENERAL PROCEDURES

The general procedures for delivering HEAL proceeds to students for whom applications have been approved are very straightforward:

- Lenders will forward HEAL loan proceeds directly to the institutions in the form of a check, draft, or electronic funds transfer (if the school has authorization by the borrower);
- If a check or draft, borrowers must endorse it personally, because neither institution nor lender can obtain power of attorney;
- If proceeds to the borrower is by electronic transfer, school must include evidence of transfer in student's file; and
- The institution must then credit his or her tuition account and remit remaining proceeds to the student.

HEAL funds should not arrive at the school earlier than is reasonably necessary to meet the cost of education for the period of the loan. The Department of Health and Human Services interprets "reasonably necessary" to mean no more than 15 days before the installment date requested by the school.

The school should not request the installment more than 15 days prior to the date of enrollment. If the HEAL check arrives before the student enrolls, the institution must forward the check to the student for endorsement. If the student does not enroll as planned, the institution must return the check or draft within 30 days of determining that the student is not enrolling.

Once the student has endorsed the check, the school may credit the tuition account prior to enrollment, and retain the rest until the student is enrolled. If the student has educational expenses that *must* be met prior to enrollment, the institution may disburse the portion of the funds required to meet these expenses. However, institutions should use caution when disbursing HEAL funds directly to students prior to enrollment because the institution is liable for refunding HEAL funds should a student not enroll as scheduled.

Note that lenders are required to report borrower's HEAL indebtedness to one or more national credit bureaus 120 days after the loan has been fully disbursed.

[42 CFR Parts 60.33 and 60.52]

B. ENTRANCE INTERVIEWS

The school is responsible for conducting and documenting entrance interviews with HEAL borrowers. The entrance interview must take place prior to the first disbursement of the HEAL loan in each academic year. This means that the school is not required to provide an entrance interview for second and third disbursements of HEAL proceeds in the same academic year unless the school chooses to perform additional counseling. However, if a student borrows from the HEAL loan program in successive academic years, the institution must conduct entrance interviews with that student prior to the first disbursement for each academic year in which he or she has taken out a HEAL loan.

During the entrance interview, the school must:

- inform the student of his or her rights and responsibilities under the HEAL program;
- inform the student of the consequences of noncompliance with these responsibilities; and
- gather personal information that would assist lenders in locating the student upon departure from the school in the event that an exit interview cannot be conducted.

Institutions must conduct the entrance interview in person, either individually or in groups. Should a face-to-face interview be impracticable, an institution is permitted to conduct the entrance interview through correspondence. In this case, the institution may not disburse the HEAL check until the student returns the completed entrance interview to the school.

A sample set of entrance interview forms may be obtained by contacting the HEAL Branch at 301-443-1540.

[42 CFR Part 60.61]

C. ANNUAL WORKSHOPS

Schools are required to conduct an annual workshop that informs students of the HEAL loan provisions. The workshop must be conducted at the beginning of each academic year. All HEAL borrowers attending the school are required to attend. Currently, the annual entrance interview (see Section B above) satisfies the annual workshops requirement.

[Section 715(c) of the Public Health Service Act]

D. CHANGE IN STUDENT STATUS

Institutions must notify a lender in writing of a borrower's change in enrollment status within 30 days following the change in status. The regulations specify the contents of notification as follows:

- student's full name under which the loan was received;
- the student's current name, if different from the one listed on the application;
- the student's social security number;
- the date of the change in enrollment status or failure to enroll as scheduled as a full-time student;
- the student's latest known permanent and temporary address; and
- other information that the school deems necessary to identify or locate the student.

If the school does not have a record of the borrower's HEAL lender, then the school must send the notification to the Department of Health and Human Services. The address appears below:

DHHS/HRSA/BHPR
HEAL Program
5600 Fishers Lane, Room 8-37
Rockville, MD 20857

Regulations do not require institutions to forward notifications when borrowers are on vacation from school or on leaves of absence or other temporary interruption that does not last longer than one academic term (e.g., semester, trimester, or quarter).

[42 CFR Part 60.53]

E. MULTIPLE DISBURSEMENTS

Generally, HEAL loans must be multiply disbursed in at least two, but no more than three installments for each academic year. If the loan covers a period that is equal to or less than one-half of an academic year, then a single disbursement of a HEAL loan is permissible.

Institutions are responsible for identifying on the student's HEAL application the amounts to be disbursed in each installment and the approximate dates on which the disbursements should occur. These amounts must correspond to the borrower's educational expenses for the period (e.g., semester, quarter, trimester) in which the disbursement is made. According to regulations, the lender is responsible for assuring that loan proceeds are not forwarded "earlier than is reasonably necessary to meet the costs of education for the period" of the disbursement. The

Department of Health and Human Services interprets these regulations to mean that lenders generally should deliver HEAL proceeds to institutions within 15 days prior to the institutionally designated disbursement dates on the application, but no earlier than 15 days prior to the student enrollment date.

The multiple disbursement requirement is intended to assure that a borrower does not receive HEAL funds before he or she actually needs the money. This reduces the amount of interest that accrues on the loan and gives the borrower and the institution an opportunity to reduce the size of subsequent disbursements if expenses have been met by other sources or mechanisms, such as funding from less expensive sources or careful budgeting.

Although multiple disbursements are required if the loan period is more than half an academic year, multiple disbursements are not required for borrowers who apply for HEAL funds for costs to be incurred during only loan period (e.g., one semester, trimester or quarter.) If a borrower is able to wait to obtain a HEAL loan until later in the academic year, a single disbursement is permissible. For HEAL loans authorized during the last 60 days of the academic year, the loan may only cover expenses left unpaid, or paid through short-term means, at the time of submission of the HEAL application to the school. Substantiated documentation to verify these unpaid expenses must accompany the HEAL application and be maintained as part of the student's record before the institution certifies the loan application.

Some schools in the past have requested full payment of tuition and fees for the entire academic year at the beginning of the academic year, rather than distributing these costs over each semester, trimester, or quarter. For students financing these costs with HEAL loans, this practice imposes an unnecessary cost on the borrower and is not in keeping with the intent of the multiple disbursement regulations. Although the regulations allow unequal disbursements for certain circumstances such as a larger first disbursement to cover the purchase of equipment or supplies at the beginning of the academic year, the Department discourages schools from requiring full payment of tuition and fees at the beginning of the academic year.

[42 CFR Part 60.33]

F. TIMING OF DISBURSEMENTS

A HEAL loan disbursement should not be made by the lender to the school more than 15 days prior to the enrollment date, the beginning of the loan period, or the requested installment date. Loan proceeds must be used within 30 days of receipt, with the school retaining its portion and disbursing the remaining funds to the student within 15 days of the student's endorsement. Disbursements should not occur before the student is enrolled, unless funds are needed to meet educational expenses due before the time of enrollment. Institutions should avoid pre-enrollment disbursement as a matter of good practice in case the student chooses not to enroll.

G. CHANGES IN AMOUNT OF HEAL FUNDS NEEDED BY BORROWERS

From time to time, borrowers require less or more HEAL funds than approved on their original applications. Institutions must take certain actions to accommodate either a decrease or an increase in the borrower's need, depending on the circumstance. For example, if a school certifies a HEAL application for a specific dollar amount for a full academic year based on the borrower's need, and the amount of the borrower's need decreases prior to the second disbursement, the school must notify the lender in writing of the amount of the decrease. The lender must then decrease the second disbursement amount accordingly. *(Note: Borrowers needs may decrease because of receipt through the course of the academic year of additional financial aid that carries more favorable terms than HEAL.)*

By accepting a second disbursement, the school is certifying that the amount of the disbursement does not exceed the borrower's need. If the school has already received the second disbursement, it must return the check to the lender so that a new check can be issued in the correct amount.

If the amount of the borrower's need increases, the original application cannot be updated to accommodate an increase in HEAL proceeds. Instead, the borrower must submit a new application for the additional amount of his or her need. At no time may a borrower receive more than the regulatory limit for the academic year.

H. REFUNDS

From time to time, students withdraw, are dismissed or take leaves of absence during an academic period for which they have obtained HEAL funds. In these instances, institutions must:

- determine whether any of the HEAL loan proceeds must be refunded;
- calculate the amount of the refund; and
- forward the refund directly to the lender or subsequent holder of the HEAL loan.

The Department of Health and Human Services expects that refunds will be made within 120 days of the date of disbursement.

Schools must establish a written policy for calculating refunds. This policy must clearly establish the portion of any refund that will be attributed to the borrower's HEAL loans and the portion that will be attributed to other sources from which the borrower received aid, including the amounts borrowed from other loan programs.

Regulations require lenders to apply refunds directly to the principal, not to interest, thus reducing the amount of HEAL principal that remains outstanding. Cancellation of HEAL disbursements in total, with the school returning the check to the lender within 120 days, will be applied as a refund to the principal amount of the HEAL loan. The lender will notify the Department and the Department will refund the insurance premium, which will also be deducted from the principal amount of the loan.

[42 CFR Parts 60.21, 60.52 and 60.54]

Section 5 OTHER ADMINISTRATIVE RESPONSIBILITIES

A. HANDLING HEAL LOAN PROCEEDS

Regulations require institutions to develop and implement procedures related to disbursement receipt and release. These procedures, which must be documented and maintained by the school, must assure that the receipt and release functions are separately maintained from the application preparation and approval process. Further, the school must keep a record of the dates on which the following events occur for each HEAL loan check:

- school receives the HEAL check, draft, or electronic transfer of funds;
- school gives the funds to the student, or returns the funds to the lender; and
- school signs the loan check or draft (if applicable) if it is a copayee.

In addition, institutions must maintain either a photocopy of each HEAL check or draft, or a copy of a disbursement roster. If the school chooses to use disbursement rosters in lieu of photocopies, the rosters must include the information that appears on the check (i.e., name of lender, date of disbursement, name of borrower, amount of check, parties to whom the check was made copayable, check number, etc). After receiving a HEAL check for a student, the school must assure that the amount of the check does not exceed the approved total amount of the loan or the statutory maximums (see [Chapter 3, Section 2, Loan Amounts](#)) and that the borrower personally endorses the HEAL check; power-of-attorney is not acceptable. The school must maintain proof of disbursement (in an automated or manual format) for a period of 5 years from the last day of a HEAL borrower's attendance.

The school and the student are expected to endorse a HEAL check within 30 days of receipt of the check or draft, or released funds received by electronic transfer, with the school retaining its portion and disbursing the remainder to the student no later than 45 days after the disbursement date of the HEAL funds. Disbursements should not occur prior to enrollment unless the student has pre-enrollment educational expenses that must be met. However, good practice suggests that it is best to avoid pre-enrollment disbursements whenever possible in case the student ultimately

does not enroll. In addition, HEAL regulations stipulate that canceled disbursements must be returned to the lender within 30 days of the determination that the student does not plan to enroll.

[Section 705(a)(2)(G); 42 CFR Parts 60.16, 60.52, 60.56 and 60.61]

B. STUDENT RECORDS

The school must make sure that its HEAL student records are easily retrievable and safeguarded against fire, theft and tampering. Schools must maintain student records for not less than five years following the date the borrower graduates, withdraws, or fails to enroll as a full-time student. The Department of Health and Human Services permits institutions to maintain their records in a variety of formats at the option of the school. Record keeping formats include:

- computer;
- electronic;
- microfiche;
- microfilm; or
- paper.

The contents of each student record must include 18 specific pieces of information, which the regulations itemize. These items are listed below:

- student's name, address, academic standing and period of attendance;
- name of the HEAL lender, amount of the loan, and the period for which the HEAL loan was intended;
- documentation of alien registration status for students who are noncitizens;
- amount and source of other financial assistance received by the student during the period for which the HEAL loan was made;
- date the school receives the HEAL check, draft, or electronic transfer and the date it either gives it to the student or returns it to the lender (if the school is the lender);
- date the schools disburses the loan to a student (if the school is the lender);
- date the school signs the loan check or draft (if the school is a copayee);
- amount of tuition, fees and other charges paid by the student to the school for the academic period covered by the loan and the dates of payment;
- photocopy of each HEAL check or draft received by the student, or a disbursement roster containing the same information that appears on the check (i.e., name of lender, date of disbursement, name of borrower, amount of check, parties to whom the check was made copayable, check number, etc);

- documentation of each entrance interview, including the date of the entrance interview and the signature of the borrower indicating that the entrance interview was conducted;
- documentation of the exit interview including the date of the exit interview and the signature of the borrower indicating the exit interview was conducted, or documentation of the date that the school mailed the exit interview materials to the borrower if the borrower failed to report for the exit interview;
- a photocopy made by the school of the borrower's I-151 or I-551 permanent residency card, if the borrower is required to possess such identification by the United States;
- other documentation, if obtained by the school, to verify citizenship status and social security number (e.g., certified copy of the borrower's birth certificate or a photocopy made by the school of the borrower's original social security card or copy issued by the Federal Government);
- documentation of the calculations made which compare the financial resources of the applicant with the cost of education at the school;
- each borrower's financial aid transcript(s);
- the standard budget for students enrolled in a given program plus documentation to support any modifications made to that budget for individual students obtaining HEAL funds;
- copies of all HEAL-related correspondence between the school and the borrower, or between the school and the lender or its assignee;
- copies of each form used by the school in connection with the HEAL loan; and
- expected postgraduate destination of the borrower.

Should an institution cease to participate in the HEAL loan program, it must continue to maintain all required HEAL records. If the school undergoes a change in ownership, the "successor" school still is responsible for maintaining the appropriate records. In addition, the school must provide the Department of Health and Human Services, the Comptroller General of the United States, or their representatives access to these records.

[42 CFR Parts 60.56, 60.59 and 60.61]

C. REPORTS TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES AND TO LENDERS/HOLDERS

Schools must provide reports on the HEAL program as requested by the Department of Health and Human Services--including the Office of Health Education Assistance Loan Default Reduction. Copies of any report must be maintained in institutional files for at least five years after the school completes it, unless the Department directs the school to do otherwise.

In addition to providing information to the Department of Health and Human Services as requested, schools must also inform HEAL lenders--at the lender's request--of the name, address, postgraduate destination and other reasonable identifying information about HEAL borrowers.

[Sections 715(a)(6) and 715(b) of the Public Health Service Act; 42 CFR Part 60.57]

D. REPORTING FRAUD

The Department of Health and Human Services expects institutions to assist in minimizing fraud and abuse in the HEAL program through adherence to statute, regulations, policy and good practice. When an institution finds indications of potential or actual commission of fraud or other offense against the United States, it must promptly contact the appropriate Regional Office of the Inspector General for Investigation for the Department of Health and Human Services.

[42 CFR Part 60.61]

E. FRAUD AND INSTITUTIONAL LIABILITY

All schools must comply with HEAL program requirements. Failure to comply with applicable statute and regulations and with the written agreement between the Department of Health and Human Services and the institution can result in liability by the institution to the Department for HEAL loans borrowed by its students that go into default. Exceptions can be made if the area of noncompliance is deemed not to have contributed to the default or to have prejudiced the Department's attempt to collect the loan from the borrower.

Note that almost all documents associated with the HEAL program, including the student application form, contain a statement with respect to any party's misrepresentation. Specifically, any person who knowingly makes a false statement or misrepresentation in a HEAL loan transaction, bribes or attempts to bribe a Federal official, fraudulently obtains a HEAL loan, or commits any other illegal action in connection with a HEAL loan is subject to possible fine and imprisonment.

[42 CFR Parts 60.1, 60.19 and 60.61]

F. LENDERS INFORMING INSTITUTIONS WHEN HEAL LOANS ARE SOLD

The holder of a HEAL loan which was purchased while the borrower is still in school must inform the school--as well as the student--of the transfer of the loan's ownership within 30 days of the date the loan was purchased. Institutions that would like to be notified when loans for students who have graduated or left the institution are sold should discuss the matter with the appropriate HEAL lenders. While lenders are not required to notify institutions of the sale of

HEAL loans after a borrower graduates or leaves the school, most lenders are interested in assisting schools help HEAL borrowers. In addition, the Department of Health and Human Services provides each school with information annually on any borrowers who have attended the school. This information includes the names of the original lender(s) and the current holder(s) of the borrower's HEAL loans.

Note that a lender must notify the borrower and the Department of Health and Human Services every time a HEAL loan is sold, whether or not the borrower is still in school.

[42 CFR Part 60.38]

Chapter 3 TERMS AND CONDITIONS OF HEAL LOANS**Section 1 STUDENT ELIGIBILITY CRITERIA**

Institutions must be sure that students who receive HEAL funds meet the set eligibility requirements specified in statute and in regulations. Note that certain borrowers who are no longer students may also obtain HEAL loans for payment of accruing interest. A description of the eligibility requirements follows.

A. CITIZENSHIP STATUS

A student applicant must be a citizen or national of the United States, or a lawful permanent resident of the United States, the Commonwealth of Puerto Rico, the Northern Mariana Islands, the Virgin Islands, Guam, American Samoa or the Trust Territory of the Pacific. A student who remains in this country on a student or visitor's visa is not eligible.

[42 CFR Part 60.5]

B. ACADEMIC STATUS

The student must be enrolled or accepted for enrollment as a full-time student in a health professions school participating in the HEAL program. The school is responsible for defining full-time student status. However, regulations permit the student's work load to include any combination of course, work experience, research or special studies that the school accepts as meeting a definition of full-time student status. The student must be in good standing as defined by the school.

Should a HEAL recipient cease to be a student in good standing because of academic failure, then the school is obligated to discontinue disbursement of HEAL funds. An institution must also discontinue disbursements for students who are awarded HEAL loans upon disability or death. Loan funds disbursed to the student for other educational expenses beyond the period of academic good standing should be collected from the student and applied to the principle balance of the outstanding HEAL loan.

[Sections 705(a)(1)(A)(I) and 705(a)(1)(A)(ii) of the Public Health Service Act; 42 CFR Part 60.5]

C. ENROLLMENT STATUS

Students must be enrolled full-time in programs leading to the following degrees in order to be eligible for HEAL funds:

- doctor of allopathic medicine;
- doctor of osteopathic medicine;
- doctor of dentistry;
- doctor of veterinary medicine;
- doctor of optometry;
- doctor of podiatric medicine;
- bachelor or master of science in pharmacy;
- graduate or equivalent degree in public health;
- masters or doctoral degree in allied health;
- doctor of chiropractic;
- doctoral degree in clinical psychology; and
- masters or doctoral degree in health administration.

Note: Regulations, policies and procedures have not implemented allied health as an active discipline in the HEAL program.

1) ENROLLMENT STATUS CONSIDERATIONS FOR DOCTOR OF PHARMACY STUDENTS

Pharmacy students must satisfactorily complete three years of training toward a pharmacy degree before obtaining a HEAL loan. The three-year training period must have taken place at the pharmacy school at which the HEAL borrower is enrolled, or at another school whose credits are accepted on transfer by the pharmacy school. Students enrolled in doctor of pharmacy programs are eligible for HEAL only if the degree is taken at an institution that does not require the bachelor or master of science in pharmacy as a prerequisite for the doctor of pharmacy degree.

[42 CFR Part 60.5]

2) ENROLLMENT STATUS CONSIDERATIONS FOR ALLOPATHIC AND OSTEOPATHIC MEDICAL STUDENTS AND DENTAL STUDENTS

Some allopathic and osteopathic medical school programs and dental school programs combine undergraduate school with graduate school training. These programs generally condense the undergraduate curriculum into two years, while maintaining a four-year graduate curriculum. When students are enrolled in these six-year programs, they are eligible for HEAL loans only during the last four years of the program.

3) STUDENTS ENROLLED IN MULTIPLE DEGREE PROGRAMS

Some allopathic medical institutions offer multiple degree programs, such as combined M.D. and doctoral degrees in science (M.D./Ph.D.), M.D. and law degrees (M.D./J.D.), or M.D. and master

of public health degrees (M.D./M.P.H.). If such students are enrolled in multiple degree programs, they are eligible to receive HEAL loans only when they are pursuing the M.D. degree as full-time students.

Example:

A student is enrolled in a six-year program. It consists of two years of study toward the M.D. degree followed by two years of study toward the Ph.D. degree. The last segment of the program is dedicated to the M.D. degree. The student is only eligible to receive HEAL loans during the first two and last two years of the program. Because this student is enrolled full-time at a school that is eligible to participate in the HEAL program or in the Title IV Federal Family Education Loan Programs (previously called the Guaranteed Student Loan Programs) during the two years of full-time study towards the Ph.D. degree, the student can defer making payments on previous HEAL loans, but cannot receive additional HEAL loans during this period.

Students enrolled in concurrent or supplemental degree programs that do not provide for full-time study towards the M.D. degree are not eligible to receive HEAL loans. If they receive the M.D. degree through full-time study and remain enrolled in a Ph.D. program, they are eligible to receive HEAL loans only up to the time they receive the M.D. degree. In all instances, the proceeds of a HEAL loan may be used only for the costs of education for full-time study towards the M.D. degree.

Financial aid administrators must remember that they are responsible for certifying that students who apply for HEAL loans are enrolled or accepted for enrollment full-time in an eligible degree program. Financial aid administrators must not accept HEAL applications from students pursuing ineligible degrees or studying less than full-time. Further, financial aid administrators must notify the lender within 60 days when a student borrower's status changes. This would include any student whose enrollment status changes to other than that of a full-time student.

[Section 713 of the Public Health Service Act; 42 CFR Part 60.5]

D. FINANCIAL NEED

Students must demonstrate financial need to obtain a HEAL loan and show that the loan is absolutely necessary to continue in school. Need is the difference between the cost of attendance and a student's resources, which include calculated expected family contribution as determined by the need analysis formula incorporated into the Higher Education Act, actual and estimated financial aid awards, and other sources. [Chapter 2, Section F, Determining the Amount of the](#)

[HEAL Loan](#), provides a fuller explanation of how institutions must assess the needs of applicants for HEAL loans.

The amount that students may borrow for HEAL may not exceed the lesser of their financial need or the legal maximum under the program. In addition, students must agree that all HEAL proceeds are used solely to pay for tuition and other reasonable educational expenses. Other reasonable educational expenses include:

- fees;
- books, supplies and equipment;
- laboratory expenses;
- reasonable living expenses;
- reasonable transportation costs, only to the extent that they are directly related to the borrower's education; and
- the HEAL loan insurance premium.

[Section 705(a)(1)(A)(iii); 42 CFR Parts 60.5 and 60.51]

E. SELECTIVE SERVICE REGISTRATION

Draft-eligible male students must be registered with the Selective Service to receive a HEAL loan. If they are not registered, they may receive HEAL loans only if they give Selective Service permission to register them using the HEAL application form.

[Section 705(a)(1)(A)(iv) of the Public Health Service Act; 42 CFR Part 60.5]

F. FINANCIAL AID TRANSCRIPTS

Students must provide health professions schools with financial aid transcripts from any other previously attended institution of higher education. More information on the content of the financial aid transcript, who must sign it, and its purpose in processing HEAL applications appears in [Chapter 2, Section 3D](#).

[42 CFR Part 60.51]

G. DEFAULT ON OTHER FEDERAL LOANS

HEAL loans are not available to students who have defaulted or are delinquent on other Federal obligations. If a student who has defaulted or has become delinquent on another Federal obligation is able to make satisfactory repayment arrangements with the affected Federal agency(ies), then that student may become eligible to borrow from HEAL funds. The lender

must receive correspondence by the authorized Federal official from the affected agency stating that the borrower has taken satisfactory actions to bring the account into good standing. The responsibility rests with the loan applicant to assure that the lender receives the pertinent documentation.

[42 CFR Part 60.33]

H. CREDITWORTHINESS

HEAL lenders must determine whether a student applying for a HEAL loan is creditworthy using, at a minimum, the following data:

- a report reflecting the student's credit history from a national consumer credit reporting agency; and
- the statement from the school on the application indicating that it has no reason to believe that the borrower may not be willing to repay the HEAL loan.

Lenders must perform a credit check at least once in every academic year for which a student applies for a HEAL loan. Lenders must judge a student as creditworthy if his or her repayment history is satisfactory for loans that have become payable and the lender has applied all credit criteria standards implemented by HEAL program guidelines. In addition, the absence of any credit history is considered to be good credit. However, lenders may not determine students in default on any loan--whether commercial, consumer or educational--to be creditworthy until a satisfactory repayment arrangement has been made with the party that holds the loan. The lender must obtain documentation, such as a letter from the holder or institution or a corrected credit report indicating that the HEAL applicant has taken satisfactory actions to bring the account into good standing. HEAL applicants or the school acting on behalf of the applicant are responsible for assuring that lenders receive the necessary documentation.

Lenders are responsible for determining a student's creditworthiness, not the school. However, the school's certification attests to the eligibility of the student. This includes certification that:

- the student's financial aid transcripts did not show any educational loans to be in default or grants requiring refunds; and
- the school has no reason to believe that the borrower may not be willing to repay the loan.

As a result, when a borrower's HEAL application has been certified by the school as meeting *all* the HEAL eligibility requirements, including the requirements listed above--and the lender returns the application to the school because it does not deem the student to be creditworthy--the school may resubmit the loan to another lender.

[42 CFR Part 60.33]

I. SECURITY AND ENDORSEMENT

Lenders cannot require either security or endorsement on a HEAL loan. However, if the student is a minor whose signature on the loan application and promissory note cannot constitute a legally binding obligation under State law, a lender may require an endorsement by another person. An endorsement refers to the signature of an individual other than the borrower who is willing to assure either primary or secondary liability on the note.

Eligible borrowers may reduce their HEAL insurance premium payment by 50 percent, if a creditworthy parent or other responsible party cosigns the HEAL promissory note. In these cases, the cosigner must repay the loan if the borrower defaults. The cosigner is not responsible for repaying the loan, however, if the borrower dies or is totally and permanently disabled.

[Sections 705(a)(2)(A) and 708(c)(C) of the Public Health Service Act; 42 CFR Part 60.17]

J. ELIGIBILITY REQUIREMENTS FOR NONSTUDENTS

Some nonstudents are eligible to borrow under the HEAL program. Regulations, however, set out detailed requirements that must be met in order to provide a HEAL loan to a nonstudent. Specifically, the borrower must have received a HEAL loan prior to August 13, 1981 that requires payment of interest--but not principal--during the grace period and deferments, such as internship and residency. In addition, the proceeds from HEAL loans to nonstudents must be used solely to pay accruing interest on the nonstudent's HEAL loans and the HEAL insurance premium. Nonstudents requesting HEAL funds must meet the same citizenship, selective service, default, creditworthy, and security and endorsement eligibility requirements as HEAL applicants who are currently students.

Note that schools are not responsible for certifying applications for eligible nonstudents requesting HEAL funds.

[Section 705(a)(1)(B) of the Public Health Service Act; 42 CFR 60.6]

K. DEMOGRAPHIC INFORMATION

The statute requires that the lender obtain appropriate demographic information about HEAL applicants. The information must be obtained from the applicant and with the applicant's consent.

[Section 705(a)(2)(H) of the Public Health Service Act]

Section 2 LOAN AMOUNTS

The chart below identifies the legal annual and aggregate maximum loan limits students may obtain depending on the student's degree program. No student may borrow more than his or her financial need (see [Chapter 3, Section 1D](#) for information on determining financial need).

HEAL LOAN AMOUNTS		
Degree Program and Discipline	Legal Annual Maximum	Legal Aggregate Maximum
<ul style="list-style-type: none"> •doctor of allopathic medicine •doctor of osteopathic medicine •doctor of dentistry •doctor of veterinary medicine •doctor of optometry •doctor of podiatric medicine 	\$20,000 for a nine-month academic year, not to exceed \$26,667 for a 12-month academic year	\$80,000
<ul style="list-style-type: none"> •bachelor or master of science in pharmacology •graduate in public health •graduate in allied health •doctor of chiropractic •doctoral degree in clinical psychology •masters or doctoral degree in health administration 	\$12,500 for a nine-month academic year, not to exceed \$16,667 for a 12-month academic year	\$50,000

For the purpose of determining the annual maximum a student may receive in HEAL, the traditional academic year of nine months (generally from September to June) may be modified for students attending programs with academic years lasting 10 months (240 work days) to 12 months (270 work days). The academic year must be prorated accordingly to compute academic year equivalents for students who attend for more than the traditional nine months during a 12-

month period. At no time may students receive more than the prorated maximum on the loan or their financial need, whichever is less.

[Section 703(a) of the Public Health Service Act; 42 CFR Part 60.10(a)]

Section 3 INTEREST RATES

Most HEAL loans are offered as variable interest rate loans. This means the interest can change every three months throughout the life of the loan based on an assessment performed by the Department of Health and Human Services. The Department of Health and Human Services assesses the maximum HEAL interest rate for every quarter by:

- determining the average of the bond equivalent rates reported for the 91-day Treasury Bills auctioned during the preceding quarter;
- adding three percentage points; and
- rounding that amount to the next higher one-eighth of one percent.

Since 1981, there has been no cap on the interest rate beyond not exceeding the maximum rate assessed by the Department each quarter. However, lenders may impose a cap if they choose. Interest rates and compounding terms charged by the lender during the in-school, grace, deferment and repayment periods will be noted on each HEAL promissory note.

Some HEAL loans may be offered as fixed interest rate loans. This means that the interest remains the same throughout the life of the loan, unless the borrower chooses to refinance his or her HEAL loans into a variable interest rate loan, or consolidate all HEAL loans into one consolidation loan. The rate of interest on a fixed HEAL loan cannot exceed the maximum interest rate as assessed by the Department of Health and Human Services for the quarter in which the borrower obtains the HEAL loan.

Lenders have the option for both variable and fixed rate loans to offer HEAL loans at interest rates below the levels assessed by the Department. Further, Federal and State usury laws cannot supersede interest rates applicable to HEAL loans.

[Sections 705(b) and 705(d) of the Public Health Service Act; 42 CFR Part 60.13]

A. COMPOUNDING INTEREST

Interest accrues on HEAL loans from the date of disbursement until the date the loan is paid in full. Interest on HEAL loans may compound as much as semi-annually on loans for which the borrower signed promissory notes prior to October 13, 1992, and as much as annually on loans for which the borrower signed promissory notes after this date. That is, the interest that accrues

on the loan may be added to the principal as often as every six or 12 months. Lenders have the option to compound the interest less frequently. For example, lenders may postpone the compounding of interest before the beginning of the repayment period or during periods of deferment or forbearance. However, lenders must compound interest on the date repayment begins or resumes.

[Section 705(a)(2)(D) of the Public Health Service Act]

Section 4 OTHER CHARGES

Students may be subject to other charges in addition to interest rates. These charges include the HEAL loan insurance premium, late charges, collections costs and so forth. The following text describes these charges.

A. INSURANCE PREMIUMS

Insurance premiums charged to the borrower and the school are based on the school's risk category. The risk categories are determined by the school's HEAL default rate, as follows:

- low-risk--the school's HEAL default rate is five percent or less;
- medium-risk--school's default rate is greater than five percent but no more than 10 percent; and
- high-risk--the school's default rate is greater than 10 percent but no more than 20 percent.

Borrowers attending low-risk schools pay an insurance premium of six percent of the principal amount of the loan. Low-risk schools do not pay a risk-based insurance premium.

Borrowers attending medium-risk schools pay an insurance premium of eight percent of the principal amount of the loan. Medium-risk schools must also pay a risk-based insurance premium of five percent of the principal amount of the loan for each HEAL loan processed.

Borrowers attending high-risk schools also pay an insurance premium of eight percent of the principal amount of the loan. However, high-risk schools must pay a risk-based insurance premium of 10 percent of the principal amount of the loan for each HEAL loan processed.

Borrowers attending schools with default rates above 20 percent may not obtain HEAL loans.

The Department will send a quarterly billing invoice to all schools that are required to pay a risk-based insurance premium. This invoice will be based on all HEAL disbursements made to students enrolled at that institution during the preceding quarter and reported to the Department.

The institution must pay this bill within a specified time period before a delinquency occurs. Schools should pay these bills on a timely basis since a delinquent debt to the Federal Government may initiate limitation and/or suspension action from the HEAL program.

[Section 708 of the Public Health Service Act]

1) DETERMINATION OF RISK CATEGORIES

Each school's risk category is determined every September 30 and becomes effective July 1 through June 30 of the following year to coincide more appropriately with the academic year. The risk category is based on the default rate status of the school as outlined in [Chapter 2, Section 1.E.2.](#)

[Section 708 of the Public Health Service Act]

2) REDUCTIONS IN INSURANCE PREMIUMS

Borrowers can reduce the cost of their insurance premiums by 50 percent, if a creditworthy adult cosigns the loan note. The cosigner becomes responsible for repaying the loan if the borrower defaults. However, the cosigner is not responsible for repaying the loan if the borrower dies or becomes totally and permanently disable. In addition, the Department of Health and Human Services may grant a waiver of the medium- and high-risk insurance premium requirements if it determines that the default rate for the school is not an accurate indicator due to low HEAL volume.

[Section 708 of the Public Health Service Act]

3) INSURANCE PREMIUMS FOR MULTIPLY DISBURSED LOANS

For loans that are multiply disbursed, the HEAL loan insurance premium is paid upon issuing each disbursement. The following example is based on a student who must pay an 8 percent insurance premium.

Example:

A student borrows \$10,000 in HEAL to attend a school that divides the academic year into two semesters. The loan must be multiply disbursed. Because expenses are greater in the first semester than in the second, the first disbursement will equal \$6,000 of the total loan and the second disbursement will equal \$4,000. An 8 percent insurance premium must be deducted from the proceeds. Although the total insurance premium is \$800 on a \$10,000 loan, the

premium must be paid in proportion to the disbursements. As a result, the insurance premium for the first disbursement is \$480 (i.e., 8 percent of \$6,000) with proceeds equaling \$5,520 (i.e., \$6,000 minus \$480); the insurance premium is \$320 (i.e., 8 percent of \$4,000) for the second disbursement with proceeds equaling \$3,680 (i.e., \$4,000 minus \$320).

[Section 708 of the Public Health Service Act; 42 CFR Part 60.14]

B. OTHER LOAN MAKING COSTS

The insurance premium is the only charge a lender may pass on to the borrower at the time the loan is made. Lenders may not pass any other charges on to the borrower for the purpose of processing and disbursing a HEAL loan.

[42 CFR Part 60.15]

C. LATE CHARGES

Regulations require lenders or holders to charge borrowers a fee when they are late in repaying installments on their loans. Each late charge is equal to five percent of the amount of any repayment installment that is overdue by 30 days or more. Borrowers also are charged a late fee when they are eligible for deferments, but they file their deferment forms later than 30 days after a repayment installment on a loan that would have been due.

[42 CFR Part 60.15]

D. COLLECTION CHARGES

The lender or holder may charge borrowers for reasonable costs incurred in order to collect any installment not paid when due. Reasonable collection costs include:

- attorney's fees;
- court costs;
- telegrams; and
- long-distance telephone calls.

The holder may not charge the borrower for the normal costs associated with:

- preparing letters;
- making personal and local telephone contacts with the borrower; and
- fees charged by agencies to service the loan.

[42 CFR Part 60.15]

Section 5 GRACE PERIOD

The repayment period begins nine months after the HEAL borrower ceases to be a full-time student. This nine-month period in which no repayment installments are required--although interest continues to accrue--is called the grace period. If, prior to the end of the grace period, a borrower begins an activity for which he or she is eligible for certain deferments, the grace period goes into effect at the end of the deferment period. Deferments for which the student can postpone the grace period are participation in:

- accredited internship and residency programs; and
- accredited fellowship training or other educational activity (for loans borrowed after October 22, 1985).

[Section 705(a)(2)(B) of the Public Health Service Act;42 CFR Part 60.11]

Section 6 DEFERMENT PROVISIONS

To obtain deferments, HEAL borrowers must comply with three requirements. First, they must be participating in activities that the statute deems eligible for deferments. Second, they must provide deferment forms to lenders between 30 to 60 days prior to onset of the deferment activity to prove that they will be participating in the activity and that the activity constitutes an eligible deferment. Third, borrowers must submit deferment forms annually thereafter for each year they can still obtain deferment on the loan. This information is set forth in each promissory note issued to the borrower.

During deferment periods, borrowers are not required to make payments on their HEAL loans. However, interest continues to accrue and may compound at the option of the lender, but not more frequently than every 12 months (or the interest rate and terms for compounding interest contained in the promissory note). In addition, periods of deferments are not counted in the number of years that a borrower has to repay his or her HEAL loan.

The following chart identifies eligible activities for deferments and the number of years a borrower may defer for each. A copy of the Borrower Deferment form appears as [Exhibit A](#).

HEAL DEFERMENT OPTIONS	
Deferment	Time Limit And Additional Requirements
Full-time course of study at a HEAL school or at a school that participates in the Higher Education Act Title IV programs	•Unlimited
Accredited internship and residency	•Limited to 4 years for HEAL loans borrowed on or after October 22, 1985; unlimited for all loans made to HEAL borrowers who had loans prior to October 22, 1985 if the borrower went uninterrupted from full-time enrollment status into deferment status
*Armed Forces of the United States	•Limited to no more than 3 years *Borrowers who served as members of the Armed Forces on active duty during the Persian Gulf conflict were eligible for extra deferments during that period.
Peace Corps	•Limited to no more than 3 years
National Health Service Corps	•Limited to no more than 3 years
Full-time VISTA Volunteer	•Limited to no more than 3 years

Fellowship training programs	<ul style="list-style-type: none"> • Limited to no more than 2 years • Available only for HEAL loans borrowed after October 22, 1985 • Must be directly related to the discipline for which the borrower received the HEAL loan • Must begin either within 12 months after the borrower ceases internship/residency training, or before completion of internship/residency • Must be a full-time activity in research, research training, or health care policy • Is not a part of, an extension of, or associated with an internship or residency program • Pays no stipend, or a stipend that is not greater than the annual stipend for grad/prof. trainees under Public Health Service grants • Has not been created specifically for one individual
Related educational full-time activity	<ul style="list-style-type: none"> • Limited to no more than 2 years • Available only for HEAL loans borrowed after October 22, 1985 • Must be directly related to the discipline for which the borrower received the HEAL loan • Must begin either within 12 months after the borrower ceases internship/residency training, or before completion of internship/residency • Is not a part of, an extension of, or associated with an internship or residency program • Is required for licensure, registration or certification for practice in the State in which the borrower intends to practice the discipline for which he or she obtained the HEAL loan

Practice in primary health care	<ul style="list-style-type: none"> • Limited to no more than 3 years • Must have completed an accredited internship or residency training program in osteopathic general practice, family medicine, general internal medicine, preventative medicine, or general pediatrics • Must be practicing primary health care
Graduates of chiropractic medicine	<ul style="list-style-type: none"> • Limited to no more than 1 year
Health care services to Indians	<ul style="list-style-type: none"> • Limited to no more than 3 years starting after 2/1/1999 • Provide health care services to Indians through any health program or facility funded in whole or part by the Indian Health Service for the benefit of Indians [<i>Section 705(a)(2)(C) of the PHS Act.</i>]

In reviewing this chart, note that interns and residents may not be certified for deferment on the basis of full-time student status. This is contrary to the intent of the Public Health Service Act and the regulations used to implement that statute. The total maximum length of time that most borrowers may obtain for internship and residency deferment is four years. Under no circumstances, may interns and residents receive additional deferments as full-time students. A school that does not comply with these provisions jeopardizes its eligibility to continue participating in the HEAL program.

[Section 705(a)(2)(C) of the Public Health Service Act; 42 CFR Parts 60.12 and 60.13]

Section 7 REPAYMENT PROVISIONS

A. COMMENCEMENT OF REPAYMENT PERIOD

Borrowers must begin making payments on HEAL loans after the nine-month grace period, which follows the date that the borrower:

- ceases to be a participant in an accredited internship or residency program of not more than four years in duration;
- completes the fourth year of an accredited internship or residency program of not more than four years in duration;
- ceases to carry the normal full-time workload at a HEAL-eligible institution, as determined by that institution;

- ceases to be a participant in a fellowship training program of not more than two years (applies only to HEAL loans borrowed after October 22, 1985);
- ceases to be a participant in a related educational activity of not more than two years (applies only to HEAL loans borrowed after October 22, 1985); or
- completes the one-year deferment for graduates of chiropractic medicine after October 13, 1992.

[Section 705(a)(2)(B) of the Public Health Service Act; 42 CFR Part 60.11]

B. MINIMUM REPAYMENT AMOUNTS

Once repayments begin, the minimum repayment required annually of a HEAL borrower generally is equal to the amount of interest that accrues on his or her HEAL indebtedness during the course of that year. However, alternate repayment schedules--such as graduated repayments, or payments based on a borrower's debt-to-income ratio during the first five years of repayment--may result in repayments during certain periods equaling less than the amount of interest that accrues. Borrowers must agree to any alternate repayment terms.

Note that paying less than the amount of interest that accrues will increase the total amount that the borrower must repay over the life of the loan, because interest only accrues on the outstanding balance of the loan--not on amounts already repaid. In this instance, the outstanding balance is actually increasing. The increased amount could be substantial depending on interest rates, the amount of HEAL principal and interest outstanding, and the length of time that payments are less than the amount of accruing interest.

[Section 705(C) of the Public Health Service Act; 42 CFR Part 60.11]

C. LENGTH OF REPAYMENT

HEAL borrowers must repay their loans in not less than 10 years nor more than 25 years. Borrowers may choose to repay their loans in less than 10 years without penalty if they so choose. Periods of deferment are not counted toward the 10- to 25-year time frame in which HEAL loans must be repaid; nor is forbearance, if the promissory note was signed prior to October 13, 1992 (see [Section 7F](#) below). Nonetheless, borrowers are not given more than 33 years from the date a HEAL loan was made to repay that loan.

[Section 705(a)(2)(B) of the Public Health Service Act; 42 CFR Part 60.11]

D. PREPAYMENT

Borrowers may accelerate the repayment of HEAL loans or make prepayments at any time without penalty. Making prepayments reduces the outstanding balance of a borrower's HEAL obligation, thus reducing the amount of interest that accrues. Prepayments or additional amounts will always be applied first to the outstanding interest to date. As a result, prepayment or additional amount payment has the advantage of reducing the overall cost of repayment to the borrower.

[Section 705(a)(2)(F) of the Public Health Service Act; 42 CFR Part 60.11]

E. PENALTY CHARGES

A HEAL borrower who makes late payments or who becomes delinquent or goes into default must pay penalty charges in the form of late fees and collection costs. See [Sections 4C and 4D](#) above for more information.

[Section 705(a)(2)(B) of the Public Health Service Act; 42 CFR Part 60.15]

F. FORBEARANCE

Forbearance is a period of time in which the lender extends the time that the borrower can make loan payments or permits lower installments than required by the repayment schedule. The purpose of forbearance is to prevent a borrower from defaulting because he or she cannot afford the installments as agreed to in the repayment schedule.

Lenders must notify borrowers of their right to request forbearance. In addition, upon receipt of full documentation of the borrower's ability to repay the HEAL loan, lenders must grant forbearance to any borrower who is temporarily unable to make scheduled payments on a HEAL loan and continues to make payments in amounts that are commensurate with his or her financial circumstances. However, the lender is not obligated to provide forbearance to borrowers who, in the lender's judgment and with the approval of the Department of Health and Human Services, will inevitably default. *(Note: If the lender has no objection, a borrower in default on a HEAL loan is still eligible for forbearance with the approval of the Department of Health and Human Services.)*

Forbearance is available for six-month increments, which can be extended. No borrower may obtain more than a total of two years of forbearance on HEAL loans, unless the borrower and the lender believe that there are bona fide reasons why this period should be extended. In these instances, the lender must seek approval from the Department of Health and Human Services.

The request must document the reasons why an extension of the two-year limitation should be granted.

In the case of loans for which promissory notes were signed before October 13, 1992, periods of forbearance do not interrupt the repayment period. As a result, any period of forbearance counts against the 10-year to 25-year HEAL repayment period.

However, in the case of loans for which promissory notes were signed after October 13, 1992, periods of forbearance do not count against the 10-year to 25-year HEAL repayment period, forbearance must be taken into account in calculating the total 33-year limitation on repayment of HEAL obligations. In effect, forbearance on these loans is treated as a deferrable activity that interrupts, rather than shortens, the repayment period.

[Sections 705(e) and 707(C) of the Public Health Service Act]

G. CANCELLATION

HEAL loan obligations are canceled in the case of a borrower's death or permanent and total disability as approved by the Department of Health and Human Services. In these instances, no lien is placed against the borrower's estate, nor are any members of the borrower's family required to repay the debt.

[Section 714 of the Public Health Service Act; 42 CFR Part 60.39]

Section 8 TYPES OF REPAYMENT OPTIONS

Regulations require borrowers to contact the lenders or holders of their HEAL loans at least 30 days--but not more than 60 days--before their repayment periods begin. The purpose of the contact is to establish the precise terms of repayment. The lender/holder is responsible for offering the borrower a variety of repayment terms to include:

- fixed interest rate repayment;
- a monthly repayment schedule with substantially equal installments;
- a monthly repayment schedule with graduated installment payments that increase in amount over the repayment period that may include negative amortization; and
- income-contingent repayment during the first five years of the repayment that is based on the borrower's debt-to-income ratio.

If the borrower does not contact the HEAL lender/holder or does not respond to the lender's/holder's contacts, the lender/holder may establish a monthly repayment schedule with substantially equal installment payments, subject to the terms of the borrower's HEAL note.

[Sections 705(a)(2)(E), 705(f) and 715(a)(8) of the Public Health Service Act]

A. SUPPLEMENTAL AGREEMENTS

Lenders/holders have the option of offering borrowers alternative repayment schedules, other than those mentioned above in [Section 7.B, Minimum Repayment Amounts](#). These alternative schedules are referred to as supplemental agreements. Although providing an alternative schedule is at the option of the lender, the borrower must agree to the terms unless the lender obtained the borrower's written consent to enter into a supplemental agreement at the time the borrower signed the promissory note.

Lenders/holders may not offer supplemental agreements that will unduly burden the borrower. Nor may the agreements extend the repayment period beyond the 10- to 25-year limits, or the 33 years permitted to repay the loan from the date the loan was made.

[42 CFR 60.11]

B. LOAN REFINANCING

Borrowers have two options for refinancing their HEAL loans:

- Refinancing of HEAL loans with Title IV loans under the Higher Education Act, which is administered by the Department of Education; and
- HEAL loan refinancing, which is administered by the Department of Health and Human Services.

Questions regarding consolidation of HEAL loans with Title IV loans should be directed to the Department of Education. The following sections address HEAL loan refinancing.

1) OVERVIEW OF HEAL LOAN REFINANCING

HEAL loan refinancing permits borrowers and lenders by mutual consent to combine borrowers' HEAL loans into a single, *new* loan with a single lender and a single monthly repayment. At the time of refinancing, the new loan's terms and conditions will be the same as those prevailing under the HEAL program and, as a result, may differ from the terms and conditions of the HEAL loans that are being refinanced.

Because a HEAL loan refinancing creates a new loan for the borrower, the number of years to repay the loan is based on the date of the new loan and not on the dates of the original HEAL loans. In addition, if a borrower had HEAL loans with different terms and conditions (e.g., deferment options), the refinanced loan would create a uniform set of terms and conditions.

[Section 706(e) of the Public Health Service Act]

2) ELIGIBLE LENDERS

Only approved HEAL refinancing lenders may offer HEAL loan refinancing. They may include the following types of institutions:

- financial or credit institutions (e.g., banks, savings and loan associations, credit unions, or insurance companies);
- pension funds approved by the Department of Health and Human Services;
- state agencies or private nonprofit agencies designated by States and approved by the Department of Health and Human Services;
- public entities in the business of purchasing loans; and
- the Student Loan Marketing Association (Sallie Mae).

3) ELIGIBLE BORROWERS

Borrowers who fall into the following categories are eligible to apply for HEAL refinancing:

- any HEAL borrower with one or more HEAL loans; and
- borrowers who have previously participated in the Combined Repayment Plan permitted under the Higher Education Act prior to the 1992 reauthorization.

Borrowers who have defaulted on HEAL loans are not eligible to refinance their HEAL loans. Borrowers who are delinquent on their HEAL loans (a court judgment on the delinquent loans has not been issued) are eligible for HEAL loan refinancing, provided that the borrower:

- can find a refinancing lender who is willing to refinance the loans; and
- pays the current holder any late fees or collection costs still owed (these fees cannot be made part of the refinanced loan).

4) ELIGIBLE LOANS

A borrower may not choose to refinance some of his/her HEAL loans, but not others, under the HEAL refinancing program. To assure that the borrower does not inadvertently exclude any loans on the refinancing application, the refinancing lender must obtain verification directly from the Division of Student Assistance before processing the application.

5) BORROWER SELECTION OF LENDER

A borrower may choose any authorized HEAL refinancing lender that agrees to refinance his or her loans. The borrower does not have to refinance HEAL loans with the lender that holds the borrower's Title IV loans, nor is the refinancing lender required to be currently holding any of the borrower's HEAL loans.

If a lender refuses to refinance a borrower's HEAL loans, then the borrower may go to another HEAL refinancing lender. However, a borrower may not apply to more than one lender at a time, and may only apply to a second lender if the application to the first has been denied or withdrawn.

The Department of Health and Human Services periodically publishes lists of authorized consolidation lenders to participating schools. Information on HEAL refinancing may be obtained by contacting the HEAL Branch at 301-443-1540 or by visiting our internet web site at www.hrsa.gov/refinance.

6) TIMING OF LOAN REFINANCING

HEAL loan refinancing may only take place after graduation or other separation from a HEAL school. The borrower's entire HEAL portfolio must be refinanced at the same time.

7) CREDITWORTHINESS

HEAL regulations pertaining to creditworthiness do not apply to HEAL loan refinancing. The reason is that every time a borrower previously obtained a HEAL loan that borrower was subject to a credit check on that original loan.

8) HEAL REFINANCING PROMISSORY NOTE

Borrowers must sign a single promissory note documenting the issuance of a single new HEAL refinanced loan. The promissory note contains:

- the terms and conditions of the loans;
- a list of the HEAL loans being consolidated by holder, original principal, and current balance;
- the borrower's name; and
- the social security number.

A copy of the HEAL Refinancing Application/Promissory Note appears as [Exhibit B](#).

9) TERMS OF A HEAL REFINANCED LOAN

The terms and conditions--that is, length of repayment, interest rates, loan capitalization, deferment options, forbearance, cancellation provisions, penalties, etc.--of a HEAL refinanced loan coincide with the prevailing standard HEAL loan terms and conditions at the time the refinanced loan is made. Because the refinanced loan is a *new* loan, the borrower becomes fully eligible for any of the provisions in the refinanced loan's promissory note, even if the borrower was no longer eligible prior to refinancing.

Examples:

- *Currently, borrowers have up to 25 years to repay their HEAL loans. Therefore, a borrower who has been in repayment for five years would have 20 more years left to repay his or her HEAL loans. If the borrower obtains a HEAL refinanced loan--in effect, obtaining a new HEAL loan--the borrower again has 25 years from the date of the refinanced loan to repay.*
- *Lenders may compound interest on HEAL loans no more than semi-annually for loans issued prior to October 13, 1992, and no more than annually for loans issued after this date. Therefore, interest on HEAL refinanced loans obtained after October 13, 1992 may not be compounded more than annually even if the borrower's original HEAL loans permitted semi-annually compounding of interest.*
- *A borrower is eligible for up to three years of deferment on HEAL loans for active duty in the Armed Forces. If a borrower who had used up this deferment option obtains a new HEAL refinanced loan, the borrower would be eligible for another three years of deferments for active duty in the Armed Forces.*

10) FEES

Lenders may not charge insurance premiums or fees to borrowers seeking a HEAL refinanced loan.

11) LOAN COUNSELING

The HEAL refinancing lender is responsible for providing information to the borrower about the advantages and disadvantages of loan refinancing. At a minimum, this information must address:

- forbearance and deferment issues;

- the availability of different graduated repayment plans, including income-contingent repayment;
- sample loan interest rates;
- frequency of compounding interest; and
- any provisions that apply to new HEAL loans that would not apply to the borrower's outstanding HEAL loans.

Each refinancing lender must provide this information in writing to borrowers. In addition, lenders must submit copies of this "standardized" borrower information to the Division of Student Assistance for approval in order to become an eligible HEAL refinancing lender.

12) PAYOFF AND DISBURSEMENT

Once the borrower's HEAL refinancing loan application has been processed and approved, the refinancing takes place by the refinancing lender repaying the full amount of the outstanding HEAL loans and issuing a new promissory note to the borrower. A refinanced loan is not multiply disbursed.

Once the borrower has submitted a signed HEAL refinancing loan application, the lender is responsible for contacting the borrower's current holder(s) concerning the payoff amount of the borrower's outstanding HEAL loans. Each holder should provide the information within 10 days of receipt of the document requesting loan verification and payoff amounts. The refinancing loan lender then pays off the current HEAL loan balances within a specified period of time (e.g., 45 days, 60 days, 90 days). The holder ceases requesting regularly scheduled payments from the borrower after the date the HEAL refinancing loan takes effect--that is, the date the payoff amount is received by the holder(s).

If the payoff amount represents an overpayment, the holder must refund the difference to the refinancing lender. The refinancing lender, in turn, credits the overpayment as a prepayment toward the refinanced HEAL loan. Conversely, if the payoff amount represents an underpayment, the holder and the refinancing lender may either include this amount as part of the refinanced loan, or request the borrower to pay the amount owed directly to the previous holder(s).

Section 9 CONSEQUENCES OF DEFAULT

The Department of Health and Human Services can take several actions against borrowers who have defaulted on their HEAL loans. The purpose is to recoup losses resulting from the defaults. These actions include:

- reporting borrowers with defaulted loans to credit bureaus;

- obtaining judgments against HEAL defaulters;
- applying Department of Justice actions;
- offsetting Federal income tax refunds;
- offsetting Federal salaries;
- publishing names of defaulters in the *Federal Register*;
- releasing information on defaulters to other relevant organizations;
- reducing Medicare reimbursements or payments;
- excluding defaulters from participation in the Medicare program; and
- withholding school services.

Note that statutes of limitation do not apply to allowable activities used to collect on defaulted HEAL loans. A brief description of each action follows.

[Sections 707(f), 707(h)(3) and 707(I) of the Public Health Service Act]

A. REPORTING BORROWERS WITH DEFAULTED LOANS TO CREDIT BUREAUS

HEAL lenders and holders are required to report all HEAL loans that become more than 60 days past due to at least one national consumer credit reporting agency. This requirement is designed to assure that information on a borrower's failure to honor the HEAL repayment obligation will be available to other creditors who are considering making a loan to the borrower.

B. OBTAINING JUDGMENTS AGAINST HEAL DEFAULTERS

HEAL lenders and holders are required to obtain a judgment against a defaulted HEAL borrower before the Department of Health and Human Services will purchase the loan. When a judgment is entered against a HEAL borrower, it becomes part of the borrower's credit record and a lien is placed against the borrower's property. This action makes it extremely difficult for the borrower to obtain other credit. Further, the lien prevents the borrower from selling the property without first satisfying the judgment.

C. APPLYING DEPARTMENT OF JUSTICE ACTIONS

Defaulted HEAL loans assigned to the Department of Health and Human Services are subject to departmental collections procedures, including litigation and enforcement of judgments by the Department of Justice. Department of Justice enforcement procedures include garnishment of wages, attachment of property, and other methods that are appropriate depending upon the circumstances of the defaulted borrower.

D. OFFSETTING FEDERAL INCOME TAX REFUNDS

The Department of Health and Human services reports defaulted HEAL borrowers who have failed to make satisfactory repayment arrangements to the Internal Revenue Service (IRS). Reports are forwarded annually. The IRS then withholds any tax refund--not to exceed the full amount of the unpaid HEAL balance--that the defaulted borrower would otherwise be entitled to receive.

E. OFFSETTING FEDERAL SALARIES

Defaulted HEAL borrowers who have failed to make satisfactory repayment arrangements with the Department of Health and Human Services--and who are employees of the Federal Government--are subject to salary offsets. Salaries of affected HEAL borrowers are offset until the debt has been fully repaid.

F. PUBLISHING NAMES OF DEFAULTERS IN THE *FEDERAL REGISTER*

The Public Health Service Act requires the Department of Health and Human Services to publicize the names of defaulted HEAL borrower by publishing a list in the *Federal Register*. The list also includes the defaulters' city and state, total amount of HEAL debt, health professions school attended and date of graduation. The list does not include defaulted borrowers who have repaid their HEAL loans in full, have received cancellation due to death or disability, or have entered into a repayment agreement with the Department and have complied with the agreement for the most recent 12 consecutive months.

The lists are published annually. Because the *Federal Register* is a public document, it is possible that the press and other media will further publicize the names of defaulters in news reports.

G. RELEASING INFORMATION ON DEFAULTERS TO OTHER RELEVANT ORGANIZATIONS

The Public Health Service Act requires the Department of Health and Human Services to release the names of defaulted HEAL borrowers to relevant Federal agencies, schools, school associations, professional and specialty associations, State licensing boards, hospitals with which the borrowers may be affiliated, and other organizations with an appropriate interest. In addition to the names of the defaulters, the Department will also provide their social security numbers, addresses and the total amounts of their HEAL debts. The Department will not include defaulted borrowers who have made satisfactory repayment arrangements.

H. REDUCING MEDICARE REIMBURSEMENTS OR PAYMENTS

The Department of Health and Human Services must reduce any Federal reimbursements and payments to HEAL defaulters for health services provided. The Social Security Act requires that the defaulted borrower be given an opportunity to enter into an agreement to repay his or her HEAL loans by having a portion of the Medicare reimbursements applied toward repayment. Borrowers who refuse to enter into such agreements are subject to exclusion from the Medicare programs. (See Section 9I. that follows below.)

I. EXCLUDING DEFAULTERS FROM PARTICIPATION IN THE MEDICARE PROGRAM

A borrower who defaults on a HEAL loan and does not make satisfactory repayment arrangements with the Department of Health and Human Services is subject to exclusion from participation in the Medicare program.

J. WITHHOLDING SCHOOL SERVICES

The Public Health Services Act authorizes schools to withhold academic, alumni and other services from borrowers who have defaulted on their HEAL loans.

Section 10 BANKRUPTCY

A borrower cannot discharge a HEAL loan in bankruptcy until seven years have elapsed from the time repayments begin. The seven-year requirement does not include intervals in which repayments are suspended, such as periods of deferment. This provision applies only to HEAL loans for which bankruptcy proceedings began on or after June 10, 1993.

The provisions for bankruptcy proceedings that began prior to June 10, 1993 are different. In these instances, the borrower cannot discharge a HEAL loan until five years have passed from the beginning of the repayment period. The five years *include* any intervals in which repayments were suspended.

[Section 707(g) of the Public Health Service Act]

Chapter 4 INSTITUTIONAL RESPONSIBILITY IN THE REPAYMENT PROCESS

Section 1 AUDIT REQUIREMENTS

HEAL regulations provide that schools comply with audit requirements set forth by the Department of Health and Human Services. General information on audit requirements for the Title VII and Title VIII programs appears in [Fiscal Management: Audits](#).

[Section 715(a)(1) of the Public Health Service Act; 42 CFR Part 60.56]

Section 2 EXIT INTERVIEW

The school is responsible for conducting and documenting exit interviews with HEAL borrowers. The exit interview, which can be conducted either individually or in groups, must take place within the final academic term of the loan recipient's enrollment prior to his or her graduation date or other departure date from the school.

During the exit interview, the school must:

- inform the student of his or her rights and responsibilities under the HEAL program;
- inform the student of the consequences of noncompliance with these responsibilities; and
- gather personal information that would assist lenders in skiptracing activities and to direct the loan recipient to contact the lender concerning specific repayment terms and options.

Institutions must forward a copy of the exit interview documentation to the borrower's current HEAL holders within 30 days of the exit interview. The copy must include the personal information collected to perform skiptracing.

If the borrower leaves the school without an exit interview, the school must mail the exit interview to the borrower within 30 days of the date that the school learns that the borrower departed or the anticipated date of the borrower's departure, whichever is earlier. In the exit interview materials sent to the borrower, the school must instruct him or her to forward the completed information to his or her lender(s). Alternately, the school may instruct the borrower to return the completed information back to the school, which would then forward the material to the lender. The school must notify the lender of the borrower's departure at the same time it mails the exit interview material to the loan recipient. In addition, the school must forward the borrower's entrance interview.

The school is not responsible if the exit interview documentation gets lost in the mail. However, the school is responsible for maintaining documentation of the exit interview or documentation of the date that the school forwarded exit interview materials to the borrower, if the borrower failed to report for the interview as part of its HEAL records. In effect, the school should have copies of the signed exit interview for each borrower on file, should a lender need a duplicate.

A sample set of an exit interview form appears in [Exhibit C](#). Note that some lenders provide standard exit interview information. Schools should check with individual lenders to find out the specific information each one provides.

[42 CFR Part 60.61]

Section 3 CONTACTING LENDERS AND BORROWERS

HEAL statute requires institutions to record and make available upon request to the lender and the Department of Health and Human Services the name, address, postgraduate destination and other reasonable identifying information for each HEAL borrower who attended or is in attendance at the institution. In addition, statute permits schools and postgraduate training programs to assist lenders and the Department of Health and Human Services in the collections process when borrowers are in danger of defaulting (i.e., delinquent). Assistance includes providing information concerning the borrower to the Department and to past and present lenders and holders of the borrower's loans.

When a HEAL borrower is 90 days delinquent, the lender is required to submit a request for collection assistance to the HEAL Branch. Three preclaim assistance letters are then sent 30 days apart to the borrower by the HEAL Branch. The letters encourage the borrower to contact his or her lender to make satisfactory repayment arrangements. The letters also remind the borrower of the consequences of default. A copy of the second preclaim assistance letter is forwarded to the school that the borrower attended while receiving the HEAL loan. The purpose of forwarding the letter to the school is to notify the school of the borrower's delinquent status and to give the school an opportunity to assist in encouraging the borrower to repay. Because a school's activities in this situation involve a debt which is not owed to the school, concerns have been expressed regarding the applicability of Section 809 of the Fair Debt Collection Practices Act. This section requires a debt collector to provide a borrower with written notice of the amount of the debt, along with other information regarding disputes over the validity of the debt, within five days after the initial communication with the borrower. The question is whether a school is considered a debt collector acting as an agent of the lender in this situation and, thus, subject to penalties in the Act if procedures are not in compliance.

With the passage of the National Institutes of Health Revitalization Act of 1993, which was signed into law on June 10, 1993, schools and postgraduate training programs attended by HEAL

borrowers are authorized to assist in the collection of any HEAL loan which becomes delinquent. The statute even permits contact with delinquent borrowers to encourage repayment.

This provision makes clear that for purposes of these contacts--or any other efforts to assist in the collection of a HEAL loan--the school or postgraduate training program is not subject to Section 809 the Fair Debt Collections Practices Act. As a result, a school may now contact a delinquent and defaulted borrower in writing, by telephone, or in person regarding the HEAL loan and provide the borrower with full information on the consequences of default and the importance of timely repayment. A description of some of the consequences of default appears in [Chapter 3, Section 9](#) above.

[Sections 705(a)(2)(H) and 707 of the Public Health Service Act]

Section 4 WITHHOLDING INSTITUTIONAL SERVICES TO DEFAULTED BORROWERS

The Department of Health and Human Services has the authority to direct schools to withhold certain services from borrowers who have defaulted on their HEAL loans, with the exception of borrowers who have filed for bankruptcy. Such services may include--but are not limited to--academic transcripts and alumni services. All academic and financial aid transcripts that schools release on defaulted borrowers must indicate that the borrower is in default.

[Section 715(a)(7) of the Public Health Service Act]

Section 5 LIMITATION, SUSPENSION AND TERMINATION

The Department of Health and Human Service retains the right to limit, suspend or terminate any institution that does not comply with statutory and regulatory provisions of the HEAL program. In addition, such actions can also be taken against schools that transgress agreements made with the Department concerning HEAL. The procedures that the Department uses to limit, suspend and terminate institutions follow the Department of Education's procedures as contained in the General Provisions regulations.

[42 CFR Section 60.60]

Exhibits

Exhibit A HEAL Deferment Form

BORROWER DEFERMENT REQUEST

FOR THE HEALTH EDUCATION ASSISTANCE LOAN (HEAL) PROGRAM
 Under Title VII, Part A, Subpart I, Public Health Service Act as amended (42 U.S.C. 292-292o)
 This form is authorized by Section 705(a)(2)(C) of the Public Health Service Act as amended.

WARNING: Any person who knowingly makes a false statement or misrepresentation in a HEAL transaction, bribes, or attempts to bribe a Federal official, fraudulently obtains a Federal HEAL loan or commits any other illegal action in connection with a Federal HEAL loan is subject to a fine or imprisonment under Federal statute

INSTRUCTIONS

1. Provide the address of your lender.
2. Complete, sign and date Section 1.
3. Select a deferment type in Section 2.
4. For an internship, residency, fellowship or primary care deferment, complete Section 3a.
 For a school, Peace Corps, voluntary service, National Health Service Corps, or military deferment, have an appropriate official (listed in Section 3b) complete Section 3b.
5. Return the form to the lender/servicer listed in Section 1.

SECTION 1: BORROWER SIGNATURE

NAME OF BORROWER <i>(Type or Print)</i>	ADDRESS <i>(Number and Street)</i>		
SOCIAL SECURITY NUMBER	CITY	STATE	ZIP CODE

I request exemption from payment of principal and interest on my Federal HEAL loans. I agree to notify the lender of my deferment (or attendance) status annually, or more frequently if changes occur. I understand that installments of principal and interest need not be paid, but interest shall accrue and may, at the lender's option, be compounded according to the terms of my promissory note.

BORROWER SIGNATURE <i>(Required for all deferment types)</i>	DATE
--	------

Borrower must provide name and address of lender/servicer:

**RETURN DEFERMENT
 FORM TO LENDER
 OR SERVICER**



NAME _____

ADDRESS _____

SECTION 2: SELECT DEFERMENT TYPE

Please make sure you are eligible for the deferment type you select. CHOOSE ONE ONLY.

I wish to postpone my Federal HEAL loan payments because of:

- | | |
|--|---|
| <input type="checkbox"/> 1. Full time attendance at a HEAL school or a school participating in the Federal Family Education Loan Program | <input type="checkbox"/> 7. Full time active duty in the Armed Forces (3 year limit) |
| <input type="checkbox"/> 2. Participation in an approved internship or residency (4 year limit if you got your Federal HEAL loan on or after 10/22/85 or if grace has expired) | <input type="checkbox"/> 8. Completed approved internship or residency training in osteopathic general practice, family medicine, general internal medicine, preventive medicine, or general pediatrics and practicing primary care (3 year limit) |
| <input type="checkbox"/> 3. Full time participation in an approved fellowship training program or educational activity (2 year limit)* | <input type="checkbox"/> 9. Graduate of Chiropractic school (1 year limit) |
| <input type="checkbox"/> 4. Full time voluntary service in the Peace Corps (3 year limit) | <input type="checkbox"/> 10. Provide health care services to Indians through any health program or facility funded in whole or part by the Indian Health Service for the benefit of Indians (Section 705(a)(2)(C) of the PHS Act. (3 year limit for service starting 02/01/1999 or later) |
| <input type="checkbox"/> 5. Full time voluntary service under the Title I Domestic Volunteer Service Act of 1973 (VISTA/ACTION) (3 year limit) | |
| <input type="checkbox"/> 6. Service as a member of the National Health Service Corps (3 year limit) | |

* A FELLOWSHIP TRAINING or EDUCATIONAL ACTIVITY must be directly related to the discipline for which you received your Federal HEAL loan, and must begin within 12 months from the time you left your accredited internship or residency program. It must NOT be part of, an extension of, or associated with your internship or residency. In addition, the FELLOWSHIP TRAINING must be a formally established fellowship program. You must participate full time in research training or health care policy, and receive either no stipend, or a stipend not greater than that for graduate and professional training under Public Health Service grants.

SECTION 3: DEFERMENT CERTIFICATION

A. Required for Deferment Types 2, 3 and 8 only. (For deferment type 8, indicate when and where primary care residency was completed.)

PROGRAM BEGIN DATE (Month-Day-Year) ____ ____ ____		PROGRAM END DATE (Month-Day-Year) ____ ____ ____		PROGRAM NAME	
HOSPITAL/INSTITUTION NAME			PHONE NUMBER ()		TYPE OF RESIDENCY SPECIALTY
ADDRESS					
CITY		STATE	ZIP CODE		

B. Required for Deferment Types 1, 4, 5, 6, 7, 9 and 10 only.

<p>Authorized officials for each deferment type above are: 1 - school registrar; 4 and 5 - a certifying officer in the Division of Volunteer Support ACTION (Washington, DC); 6 - Public Health Service Regional Office Project Officer for the National Health Service Corps; 7 - Military Commanding Officer; or 10 - a certifying official familiar with the funding of the health program or facility.</p> <p>I certify that the information stated on this form reflects the current status of the borrower or that the borrower graduated ____ ____ (month/year). I also verify that I am qualified to certify this document. The borrower's deferment period begins on ____ ____ ____ (month/day/year) and ends on ____ ____ ____.</p>					
SIGNATURE OF AUTHORIZED OFFICIAL			DATE		PHONE NUMBER ()
NAME OF AUTHORIZED OFFICIAL (Please print)		TITLE			HEAL SCHOOL CODE (if applicable)
SCHOOL OR INSTITUTION NAME		ADDRESS		CITY	STATE
					ZIP CODE

REMEMBER: Send this form to lender/servicer listed in Section 1.

PUBLIC BURDEN STATEMENT: According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0915-0034. The time required to complete this information collection is estimated to average 10 minutes per response for borrowers and 5 minutes per response for officials, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection.

Exhibit B HEAL Refinancing Application/Promissory Note Form

HEALTH EDUCATION ASSISTANCE LOAN



REFINANCING LOAN APPLICATION/ PROMISSORY NOTE

Title VII, Part A, Subpart 1,
Public Health Service Act
(42 U.S.C. 292-292o)

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH RESOURCES AND SERVICES ADMINISTRATION
Bureau of Health Professions
Rockville, Maryland 20857

PUBLIC REPORTING BURDEN STATEMENT

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0915-0227. The time required to complete this information collection is estimated to average 12 minutes for the borrower and 30 minutes for the lender per response, including time to review instructions, search existing data resources, gather the data needed, and complete and review the information collected.

EQUAL CREDIT OPPORTUNITY ACT NOTICE

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to contract in accordance with applicable State law), because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agencies that administer compliance with this law are listed below.

- A. Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
- B. Office of the Comptroller of the Currency
490 L'Enfant Plaza East, S.W.
Washington, D.C. 20219
- C. Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
- D. Federal Home Loan Bank Board
101 Indiana Avenue, N.W.
Washington, D.C. 20552
- E. National Credit Union Administration
2025 M Street, N.W.
Washington, D.C. 20456
- F. Federal Trade Commission
6th Street and Pennsylvania Avenue, N.W.
Washington, D.C. 20580

PRIVACY ACT NOTIFICATION STATEMENT

The Privacy Act of 1974 (5 U.S.C. 552a) requires that an agency provide the following notification to each individual whom it asks to supply information. The following information is contained in the system of records 09-15-0044, entitled "Health Education Assistance Loan Program (HEAL) loan control master file, HHS/HRSA/BHPr." Some information may be maintained in the records system 09-15-0045, entitled "Health Resources and Services Administration Loan Repayment/Debt Management Record Systems, HHS/HRSA/OA."

1. The authority for collecting the requested information is found in Title VII, Part A, Subpart I of the Public Health Service Act, (42 U.S.C. 292o).
2. The principal purposes of this information are as follows:
 - to verify the identity of the applicant;
 - to determine program eligibility and benefits;

--to permit servicing of the loan; and

--in the event it is necessary, to locate missing borrowers and collect on delinquent or defaulted loans.

3. The disclosure of this information may be made to the following:
 - a. to the educational institutions in which the borrower was enrolled or was accepted for enrollment;
 - b. to guarantee agencies;
 - c. to contractors which assist the Public Health Service in the administration of the HEAL Program;
 - d. to other Federal agencies, the Office of Management and Budget, the Department of the Treasury, consumer reporting agencies, debt collection bureaus, and other private and public parties.

The purpose of such disclosures is to locate delinquent borrowers; to determine borrowers' creditworthiness and their ability to repay their debts; and to aid in the collection of debts owed under the HEAL Program. Disclosure of records will consist of the individual's name, social security account number, and other information necessary to establish the identity of the individual, the amount, status, and history of the claim, and the agency or program under which the claim arose. The information may be furnished during the life of the loan to holders of this and other loans made to the borrower under the HEAL Program.

Section 3(c) of the Privacy Act (5 U.S.C. 552a) requires that an agency keep an accounting of disclosures of individually identified information from a system of records to all third parties outside of the Department of Health Human Services. Upon an individual's written request to the System Manager, an agency must make the accounting of such disclosures available to the subject individual.

Section 7(b) of the Privacy Act of 1974 (5 U.S.C. 552a Note) requires that where any Federal, State, or local government agency requests an individual to disclose his or her social security account number (SSN), that the individual must also be advised whether that disclosure is mandatory or voluntary, by what statutory or other authority the SSN is solicited, and what uses will be made of it. Disclosure of the applicant's SSN is mandatory for participation in the HEAL Refinancing Program as provided for by Section 4 of the Debt Collection Act of 1982 (26 U.S.C. 6103 note). Applicants are advised that failure to provide his/her SSN will result in the denial of the individual to participate in the HEAL Refinancing Program. The SSN will be used to verify the identity of the applicant and as an account number (identifier) throughout the life of the loan to record necessary data accurately. As an identifier, the SSN is used in such program activities as; determining program eligibility; certifying school attendance; determining eligibility for deferment of repayment; determining eligibility for disability or death claims, and for tracing and collecting in cases of delinquent or defaulted loans.

FINANCIAL PRIVACY ACT

Under the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401-3412), the Public Health Service will have access to financial records in your student loan file maintained by the lender in connection with the administration of the HEAL Program.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH AND RESOURCES SERVICES ADMINISTRATION
BUREAU OF HEALTH PROFESSIONS

FEDERAL HEAL REFINANCING LOAN APPLICATION AND/OR PROMISSORY NOTE

WARNING: Any person who knowingly makes a false statement or misrepresentation in a HEAL transaction, bribes or attempts to bribe a Federal official, fraudulently obtains a HEAL loan or commits any other illegal action in connection with a Federal HEAL loan is subject to a fine or imprisonment under Federal statute.

SECTION I--TO BE COMPLETED BY APPLICANT

1a. NAME (Last) (First) (M.I.)	2. SOCIAL SECURITY ACCOUNT NUMBER (SSN) _____
1b. OTHER NAME USED (Last) (First) (M.I.)	3. DATE OF BIRTH (Month/Day/Year)
4. CURRENT ADDRESS (Number) (Street) (Apartment number) (City) (State) (Zip Code)	5a. DAYTIME TELEPHONE (Area Code - Number) ()
6a. (circle one) Graduated Y N Withdrew Y N	5b. EVENING TELEPHONE (Area Code - Number) ()
6b. GRADUATION/WITHDRAWAL DATE (Month/Day/Year)	7. DRIVER'S LICENSE NUMBER (State)

8. EMPLOYER INFORMATION

Name of Company/Organization: _____

Street Address: _____

City, State, ZIP Code: _____

Telephone (Area Code - Number): () _____

9. REFERENCES: You must provide two separate references with different U.S. addresses. The **first** reference must be nearest relative other than spouse or spouse's parents not living in the same household, and the **second** reference must be the spouse, or if not married, a living relative, or if neither, a life-long friend.

Name	a. _____	b. _____
Permanent Address	_____	_____
City, State, ZIP code	_____	_____
Telephone: (Area Code - Number)	() _____	() _____

SECTION II--TO BE COMPLETED BY APPLICANT

BORROWER AUTHORIZATION:

I hereby authorize my current Federal HEAL lenders/holders to release Federal HEAL Loan information requested by the Refinancing Lender or its agent, for purposes of verifying student loan information in order that I may consolidate my Federal HEAL loans into a Federal HEAL Refinancing loan. I also authorize the Refinancing Lender, its Agent, or any subsequent holder to check my credit history and to discuss my credit history with my lenders and to share any information concerning my Federal HEAL loans that my Refinancing Lender requests in connection with such loan consolidation. A copy of this authorization may be deemed to be an original.

By my signature below, I also certify that I have (1) graduated or withdrawn from an eligible Federal HEAL school and (2) no refinanced loan application is pending with another lender.

SIGNATURE OF APPLICANT FOR SECTIONS I AND II.	DATE
---	------

CERTIFICATIONS

BORROWER'S RIGHTS

1. The lender (holder) cannot change the terms of my HEAL loan without my consent.
2. The lender must provide me with a copy of the completed promissory note when the loan is made. The lender (holder) must return the note to me when the loan is paid in full.
3. The holder will advance funds on my behalf to all creditors who currently hold HEAL loans named on this Note. The funds so advanced will be disbursed to the holder of the loans designated in the promissory note to pay off these loans on my behalf. ***I further understand that the amount of this REFINANCED LOAN will equal the sum of the amounts which my creditors verify are the pay-off balances on these loans. This amount may be more or less than the estimated total balance indicated above. If verified total balance on loans to be refinanced exceeds the estimate by \$2,000 or 5 percent, whichever is lower, the holder will issue a new promissory note.*** If the amount the Refinancing lender advances to my holder(s) exceeds the amount needed to pay off my balance(s), I understand that the holder will refund the excess to the consolidating lender for application against the outstanding principal balance of my refinancing loan. If the amount the refinancing lender advances to my holder(s) is less than the amount needed to pay off my balance(s), I agree to either pay off the remaining balance or to take such actions as the refinancing lender deems appropriate to authorize the refinancing lender to include the remaining amount in an addendum to this Note.
4. The lender (holder) will provide me with a repayment schedule before the repayment period begins.
5. If the loan is sold from one lender to another lender, or if the loan is serviced by a party other than the lender, the holder must notify me within 30 days of the transaction and I must be sent a notification which spells out my obligations to the new holder.
6. In accordance with the repayment section of this promissory note, I have a right to a 9-month "grace period" before repayment, which begins after I have completed school attendance, up to 4 years of internship and residency in an accredited program, or up to 2 years of a fellowship training program or full-time educational activity approved by the Secretary for this purpose, regardless of the date this loan is made.
7. I have a right to deferment of principal and interest repayments if certain conditions exist. Under deferment I am not required to make payments on the loan principal or interest for a period of time. However, interest continues to accrue during any deferment period. To receive a deferment, including a deferral of the onset of the repayment period (See Section 60.11(a) of the HEAL regulations.) I must, prior to the onset of the activity and annually thereafter, submit to the holder of the note evidence of my status in the deferment activity and evidence that verifies deferment eligibility of the activity. It is my responsibility to provide the holder with all required information regarding the requested deferment.
8. I have a right to prepay the whole or any portion of the loan at any time without a penalty.
9. If I contact the holder of my loan at least 30 but not more than 60 days before the commencement of my repayment period to establish the precise terms of repayment, I may select a monthly repayment schedule with substantially equal installments, a monthly repayment schedule with graduated installments that increase in amount over the repayment period, or a monthly repayment schedule with payments that are based on my debt-to-income ratio during the first 5 years of repayment.
10. My loan obligation will be cancelled in the event of my death or permanent and total disability, as deemed by the Secretary, in accordance with applicable Federal statutes and regulations.
11. "Forbearance" means an extension of time for making loan payments or the acceptance of smaller payments than were previously scheduled to prevent me from defaulting on my payment obligations. I have the right to be granted forbearance whenever I am temporarily unable to make scheduled payments of my HEAL loan and I continue to repay the loan in an amount commensurate with my ability to repay the loan unless the Secretary determines that my default is inevitable and the forbearance will be ineffective in preventing default. A lender (holder) must exercise forbearance with terms that are consistent with the 33-year limitation on the length of repayment if the lender (holder) and the borrower agree in writing to the new terms. Each forbearance period may not exceed 6 months and the total period of forbearance (with or without interruption) granted to me must not exceed 2 years unless an extension is granted by the Secretary.
12. The lender (holder) must notify me in writing of the balance owed for principal, interest, and any other charges or fees owed to the lender (holder), at least every 6 months from the time my loan was disbursed to me.

BORROWER'S RESPONSIBILITIES

1. I understand that there is no interest subsidy on a HEAL loan and that I must pay all interest on the loan. If I do not make payments on time or if I default, the total amount to be repaid will be increased by late charges and may be increased by additional interest costs, attorney's fees, court costs and other collection costs.
2. I must immediately notify the lender (holder) in writing if any of the following occurs to me before the loan is repaid in full: a. change of address, b. name change (e.g., maiden name to married name), c. failure to begin any activity eligible for deferment status, or d. cessation of participation in an activity eligible for deferment status.
3. I must notify the lender (holder) of any occurrence which may affect my eligibility to receive or to continue to receive a deferment of principal and interest payments.
4. To receive a deferment, including a deferral of the onset of the repayment period (See Section 60.11(a) of the HEAL regulations.), I must, prior to the onset of the activity and annually thereafter, submit to the holder of the note evidence of my status in the deferment activity and evidence that verifies deferment eligibility of the activity. It is my responsibility to provide the holder with all required information or other information regarding the requested deferment.
5. I understand that this loan must be repaid in accordance with my repayment schedule. If my account becomes overdue by more than 60 days, the lender (holder) must notify an appropriate consumer credit reporting agency of this, which may significantly and adversely affect my credit rating. The lender (holder) must also use collection agents and utilize other collection activities (including litigation) if my account becomes overdue.
6. If I do not make payments when due, my loan may be declared in default. If I default, the Federal Government will take over my loan and I will then owe the Government. The Federal Government will actively pursue me for repayment of the debt, including the use of collection agents and reporting my default to consumer credit reporting agencies or the Internal Revenue Service for purpose of locating me or for income tax refund offset, and referral to the Department of Justice for litigation. I may be the subject of court action to force me to pay. The Secretary shall also cause to be reduced Federal reimbursements or payments for health services under any Federal law to borrowers who are practicing their professions and have defaulted on their loans, and may make other administrative offsets, including salary offsets for Federal employees. The Government may also report any written off debt to the Internal Revenue Service as taxable income, and may undertake any other debt collection procedures in accordance with the Claims Collection Regulations (45 CFR Part 30).
7. Under current law, I do not have the right to have my loan discharged in bankruptcy during the first 7 years of the repayment period. This prohibition against the discharge of a HEAL loan applies to bankruptcy under any chapter of the Bankruptcy Act, including Chapter 13. I may have a HEAL loan discharged in bankruptcy after the first 7 years of the repayment period only, excluding any periods of forbearance and deferment, upon a finding by the Bankruptcy Court that the non-discharge of such debt would be unconscionable and upon the condition that the Secretary shall not have waived his or her rights to reduce any Federal reimbursements or Federal payments for health services under any Federal law in amounts up to the balance of the loan. Any changes in the HEAL statute regarding the discharge of a HEAL loan in bankruptcy will apply to this loan.

PROMISSORY NOTE: TO BE COMPLETED BY REFINANCING LENDER

This Promissory Note represents a consolidation of all of my Federal HEAL loans, as identified below. The word "Note" refers to this Promissory Note. In this Note, the words "I", "me" or "my" refer to the Borrower whose signature appears on the last page of this Note. The word "Lender" refers to the Refinancing Lender or any subsequent holder to whom this Note is assigned. "Loan" refers to the Federal HEAL Refinancing Loan which the Lender is making to me.

PROMISE TO PAY

I, _____, the borrower, promise to pay to _____, the Refinancing lender
Name of borrower Name, City, and State of Refinancing Lender

or the subsequent holder of this Note, such Principal Amount as is advanced on my behalf, plus interest on the principal sum as set out below, and to pay authorized late charges, all reasonable attorney's fees, and other costs and charges that are permitted by Federal regulations and are necessary for the collection of any amount not paid when due. ***I understand that the amount of my loan will be based on the pay-off balances of loans Refinanced as provided by the creditors of such loans and may exceed the estimate of such pay-off balances.***

LOAN INFORMATION: This Note represents a consolidation of all HEAL loans, as identified below:

Holder / Lender (Name & Address)	Servicer	Original Principal Amount of Loan	Approximate Current Balance
GRAND TOTAL (including any loans listed on Addendum Sheet)			

NOTE: If additional lines are needed use addendum and attach to this promissory note.

The Lender and I further understand and agree that:

NOTIFICATION

I must immediately notify the lender (in this Note, the term "lender" includes a subsequent holder of the Note) in writing if any of the following occurs to me before the loan is repaid in full: 1) change of address, 2) name change (e.g., maiden name to married name), 3) failure to begin any activity eligible for deferment status, or 4) cessation of participation in an activity eligible for deferment status.

INTEREST

1. Beginning on the day the loan is disbursed, interest shall accrue. Payment of the interest accruing before the beginning of the repayment period may be postponed until the date upon which repayment of principal is required to begin or to resume. Interest which has accrued and is not paid may be added to the principal sum of this Note not more frequently than every 12 months. Beginning when the repayment period commences, interest shall accrue and be paid as set forth in the Repayment Schedule which the lender shall establish and provide to me. **The frequency with which interest that is not paid shall be added to the principal sum of this Note shall be as follows:**

2. Interest shall accrue and be payable at a yearly rate of interest which may not exceed a variable rate calculated by the Secretary of the Department of Health and Human Services for each calendar quarter and computed by determining the average of the bond equivalent rates for the ninety-one day U.S. Treasury Bills auctioned during the preceding quarter, plus three percent, rounding this figure up to the nearest one-eighth of one percent. **The rate of interest applied to this Note shall be as follows:**

3. Any change in the yearly rate of interest will affect the payment amounts, the number of payments, or the amount due at maturity.

PREPAYMENT

I may, at my option and without penalty, prepay all or any part of the principal and accrued interest at any time.

THE TERMS OF THIS NOTE ARE CONTAINED ON ALL THREE PAGES (INCLUDING AN ADDENDUM, IF APPLICABLE) OF THIS DOCUMENT.

REPAYMENT

1. Repayment shall be made in monthly installments over a repayment period which starts the first day of the tenth month after the month in which

- (A) I cease to be a full-time student at a HEAL school;
- (B) (1) I cease to be a participant in an accredited internship or residency program of not more than four years in duration, or
- (2) I complete the fourth year of an accredited internship or residency program of more than four years in duration; or
- (C) I cease to be a participant in a fellowship training program not in excess of two years or a participant in a full-time educational activity not in excess of two years which: (1) is directly related, as defined in program regulations, to the health profession for which I prepared at a HEAL school, and (2) in which I may engage during a two-year period which begins within twelve months after I complete my participation in an internship or residency program described in clause (B)(1) or clause (B)(2) of this paragraph or before I complete my participation in such an internship or residency program.

2. The repayment period shall not be less than ten years nor more than twenty-five years. Any period described under DEFERMENT and any period of FORBEARANCE shall not be included in determining the ten or twenty-five year periods. The repayment period shall not extend to a date that is more than thirty-three years from the date on which I signed this Promissory Note.

3. At least thirty but not more than sixty days before the commencement of my repayment period, I must contact the holder of my loan to establish the precise terms of repayment. My repayment schedule will require monthly payments. However, I may select a monthly repayment schedule with substantially equal installments, a monthly repayment schedule with graduated installments that increase in amount over the repayment period, or a monthly repayment schedule with payments that are based on my debt-to-income ratio during the first 5 years of repayment, if I contact the holder of my loan within the period described above. If I do not contact the holder and do not respond to contacts from the holder, the holder may establish a monthly repayment schedule with substantially equal installment payments, subject to the terms of this Note.

4. The terms and conditions of repayment shall be set forth in a separate Repayment Schedule which the lender shall establish and shall provide me prior to the beginning of the repayment period.

5. I understand that this loan must be repaid in accordance with my Repayment Schedule. If my account becomes overdue by more than sixty days, the lender must notify an appropriate consumer credit reporting agency of this, which may significantly and adversely affect my credit rating. The lender must also use collection agents and utilize other collection activities (including litigation) if my account becomes overdue.

CREDIT REPORTING AGENCY

The lender must disclose my Loan, and any other relevant information, to one or more national consumer credit reporting agencies. If I am more than sixty days past due in making a scheduled payment, the Lender will notify an appropriate consumer credit reporting agency of my past due status, which will adversely affect my credit rating, and provide the credit reporting agency any other relevant information.

LATE CHARGE

If a scheduled payment is after 30 days after the payment due date, I will be charged five cents for each dollar of the installment payment due, plus all reasonable attorney fees, and other costs and charges permitted by Federal regulations and that are necessary for the collection of any amount not paid when due.

DEFERMENT

- 1. Monthly installments of principal and interest need not be paid, but interest shall accrue:
 - (A) When I am carrying a full-time course of study at a HEAL school or at an institution of higher education eligible to participate in the Federal Stafford Loan Program.
 - (B) When I am participating in a fellowship training program or full-time educational activity for not in excess of two years as described in paragraph 1 under REPAYMENT above.
 - (C) Not in excess of three years for each of the following when I am:
 - (1) a member of the Armed Forces of the United States;
 - (2) in service as a volunteer under the Peace Corps Act;
 - (3) in service as a full-time volunteer under Title I of the Domestic Volunteer Service Act of 1973; and
 - (4) a member of the National Health Service Corps;
 - (D) Not in excess of four years when I am a participant in an accredited internship or residency program. Except that this limitation of four years also includes any period of deferral of the onset of the repayment period for participation in an internship or residency program.
 - (E) Not in excess of one year, if I graduated from a school of chiropractic; and
 - (F) Not in excess of three years, when I have completed an accredited internship or residency training program in osteopathic general practice, family medicine, general internal medicine, preventive medicine, or general pediatrics, and am practicing primary care.
 - (G) Not in excess of three years, when I am providing health care services (starting 2/1/1999 or later) to Indians through any health program or facility funded in whole or part by the Indian Health Service for the benefit of Indians (Section 705(a)(2)(C) of the PHS Act).

2. To receive a deferment, including a deferral of the onset of the repayment period (see REPAYMENT), I must, prior to the onset of the activity and annually thereafter, submit to the lender evidence of my status in the deferment activity and evidence that verifies deferment eligibility of the activity. It is my responsibility to provide the lender with all required information or other information regarding the requested deferment.

DEATH/DISABILITY

If I die or am deemed totally and permanently disabled by the Secretary, my unpaid indebtedness on this Note shall be cancelled in accordance with applicable Federal statute and regulations.

FORBEARANCE

I have the right to be granted forbearance whenever I am temporarily unable to make scheduled payments on my HEAL loan and I continue to repay the loan in an amount commensurate with my ability to repay the loan unless the Secretary determines that my default is inevitable and the forbearance will be ineffective in preventing default. A lender must exercise forbearance in accordance with terms that are consistent with the thirty-three year limitation on the length of repayment if the lender and the borrower agree in writing to the new terms. Each forbearance period may not exceed six months and the total period of forbearance (with or without interruption) granted to me must not exceed two years unless an extension is granted by the Secretary. Interest will be added to the principal at the end of each 12 months of continuous forbearance or at the end of 6 months, but not sooner than 12 months from the prior capitalization.

DEFAULT

If I do not make payments when due, my loan may be declared in default. If I default, the Federal Government will take over my loan and I will then owe the Government. The Federal Government will actively pursue me for repayment of the debt, including the use of collection agents and reporting my default to consumer credit reporting agencies or to the Internal Revenue Service for purpose of locating me or for income tax refund offset, and referral to the Department of Justice for litigation. I may be the subject of court action to force me to pay. The Secretary shall also cause to be reduced Federal reimbursements or payments for health services under any Federal law to borrowers who are practicing their professions and have defaulted on their loans, and may make other administrative offsets, including salary offsets for Federal employees. The Government may also report any written off debt to the Internal Revenue Service as taxable income, and may undertake any other debt collection procedures in accordance with the Claims Collection Regulations (45 CFR Part 30).

1. In the event of my default on this loan, the entire unpaid loan including interest due and accrued shall, at the option of the holder of this Note, become immediately due and payable.

2. If I fail to make a scheduled payment, or fail to comply with any other term of this Note, the lender may: (a) refer my loan to a collection agent for further collection efforts; (b) initiate legal proceedings against me; (c) refer my loan to the Secretary for collection assistance; and (d) obtain my address from the Internal Revenue Service, through the Secretary, if the lender has no current address for me.

3. If I fail to make a scheduled payment, or fail to comply with any other term of this Note, any HEAL school or post-graduate training program I have attended may assist in the collection of my loan, including providing information concerning me to the Secretary and to past and present lenders and holders of my HEAL loans.

4. No Federal or State statute, regulation, or administrative limitation shall terminate the period within which suit may be filed, a judgment may be enforced, or an offset, garnishment, or other action may be initiated or taken by the Secretary, the Attorney General, or other administrative head of another Federal agency, for the repayment of the amount due on this Note.

BANKRUPTCY

Under current law, I may not have my loan discharged in bankruptcy during the first seven years of the repayment period, under any chapter of the Bankruptcy Act, including Chapter 13. I may have a HEAL loan discharged in bankruptcy after the first seven years of the repayment period, excluding any periods of forbearance and deferment, only upon a finding by the Bankruptcy Court that the non-discharge of such debt would be unconscionable and upon the condition that the Secretary shall not have waived his or her rights to reduce any Federal reimbursements or Federal payments for health services under any Federal law in amounts up to the balance of the loan. Any changes in the HEAL statute regarding the discharge of a HEAL loan in bankruptcy will apply to this loan.

BORROWER'S RIGHTS

1. The lender (holder) cannot change the terms of my HEAL loan without my consent.

2. The lender must provide me with a copy of the completed promissory note when the loan is made. The lender (holder) must return the note to me when the loan is paid in full.

3. The holder will advance funds on my behalf to all creditors who currently hold HEAL loans named on this Note. The funds so advanced will be disbursed to the holder of the loans designated in the promissory note to pay off these loans on my behalf. ***I further understand that the amount of this REFINANCED LOAN will equal the sum of the amounts which my creditors verify are the pay-off balances on these loans. This amount may be more or less than the estimated total balance indicated above. If verified total balance on loans to be refinanced exceeds the estimate by \$2,000 or 5 percent, whichever is lower, the holder will issue a new promissory note.*** If the amount the Refinancing lender advances to my holder(s) exceeds the amount needed to pay off my balance(s), I understand that the holder will refund the excess to the consolidating lender for application against the outstanding principal balance of my refinancing loan. If the amount the refinancing lender advances to my holder(s) is less than the amount needed to pay off my balance(s), I agree to either pay off the remaining balance or to take such actions as the refinancing lender deems appropriate to authorize the refinancing lender to include the remaining amount in an addendum to this Note.

4. The lender (holder) will provide me with a repayment schedule before the repayment period begins.

5. If the loan is sold from one lender to another lender, or if the loan is serviced by a party other than the lender, the holder must notify me within 30 days of the transaction and I must be sent a notification which spells out my obligations to the new holder.

6. In accordance with the repayment section of this promissory note, I have a right to a 9-month "grace period" before repayment, which begins after I have completed school

attendance, up to 4 years of internship and residency in an accredited program, or up to 2 years of a fellowship training program or full-time educational activity approved by the Secretary for this purpose, regardless of the date this loan is made.

7. I have a right to deferment of principal and interest repayments if certain conditions exist. Under deferment I am not required to make payments on the loan principal or interest for a period of time. However, interest continues to accrue during any deferment period. To receive a deferment, including a deferral of the onset of the repayment period (See Section 60.11(a) of the HEAL regulations.) I must, prior to the onset of the activity and annually thereafter, submit to the holder of the note evidence of my status in the deferment activity and evidence that verifies deferment eligibility of the activity. It is my responsibility to provide the holder with all required information regarding the requested deferment.

8. I have a right to prepay the whole or any portion of the loan at any time without a penalty.

9. If I contact the holder of my loan at least 30 but not more than 60 days before the commencement of my repayment period to establish the precise terms of repayment, I may select a monthly repayment schedule with substantially equal installments, a monthly repayment schedule with graduated installments that increase in amount over the repayment period, or a monthly repayment schedule with payments that are based on my debt-to-income ratio during the first 5 years of repayment.

10. My loan obligation will be cancelled in the event of my death or permanent and total disability, as deemed by the Secretary, in accordance with applicable Federal statutes and regulations.

11. "Forbearance" means an extension of time for making loan payments or the acceptance of smaller payments than were previously scheduled to prevent me from defaulting on my payment obligations. I have the right to be granted forbearance whenever I am temporarily unable to make scheduled payments of my HEAL loan and I continue to repay the loan in an amount commensurate with my ability to repay the loan unless the Secretary determines that my default is inevitable and the forbearance will be ineffective in preventing default. A lender (holder) must exercise forbearance with terms that are consistent with the 33-year limitation on the length of repayment if the lender (holder) and the borrower agree in writing to the new terms. Each forbearance period may not exceed 6 months and the total period of forbearance (with or without interruption) granted to me must not exceed 2 years unless an extension is granted by the Secretary.

12. The lender (holder) must notify me in writing of the balance owed for principal, interest, and any other charges or fees owed to the lender (holder), at least every 6 months from the time my loan was disbursed to me.

BORROWER'S RESPONSIBILITIES

1. I understand that there is no interest subsidy on a HEAL loan and that I must pay all interest on the loan. If I do not make payments on time or if I default, the total amount to be repaid will be increased by late charges and may be increased by additional interest costs, attorney's fees, court costs and other collection costs.

2. I must immediately notify the lender (holder) in writing if any of the following occurs to me before the loan is repaid in full: a. change of address, b. name change (e.g., maiden name to married name), c. failure to begin any activity eligible for deferment status, or d. cessation of participation in an activity eligible for deferment status.

3. I must notify the lender (holder) of any occurrence which may affect my eligibility to receive or to continue to receive a deferment of principal and interest payments.

4. To receive a deferment, including a deferral of the onset of the repayment period (See Section 60.11(a) of the HEAL regulations.), I must, prior to the onset of the activity and annually thereafter, submit to the holder of the note evidence of my status in the deferment activity and evidence that verifies deferment eligibility of the activity. It is my responsibility to provide the holder with all required information or other information regarding the requested deferment.

5. I understand that this loan must be repaid in accordance with my repayment schedule. If my account becomes overdue by more than 60 days, the lender (holder) must notify an appropriate consumer credit reporting agency of this, which may significantly and adversely affect my credit rating. The lender (holder) must also use collection agents and utilize other collection activities (including litigation) if my account becomes overdue.

6. If I do not make payments when due, my loan may be declared in default. If I default, the Federal Government will take over my loan and I will then owe the Government. The Federal Government will actively pursue me for repayment of the debt, including the use of collection agents and reporting my default to consumer credit reporting agencies or the Internal Revenue Service for purpose of locating me or for income tax refund offset, and referral to the Department of Justice for litigation. I may be the subject of court action to force me to pay. The Secretary shall also cause to be reduced Federal reimbursements or payments for health services under any Federal law to borrowers who are practicing their professions and have defaulted on their loans, and may make other administrative offsets, including salary offsets for Federal employees. The Government may also report any written off debt to the Internal Revenue Service as taxable income, and may undertake any other debt collection procedures in accordance with the Claims Collection Regulations (45 CFR Part 30).

7. Under current law, I do not have the right to have my loan discharged in bankruptcy during the first 7 years of the repayment period. This prohibition against the discharge of a HEAL loan applies to bankruptcy under any chapter of the Bankruptcy Act, including Chapter 13. I may have a HEAL loan discharged in bankruptcy after the first 7 years of the repayment period only, excluding any periods of forbearance and deferment, upon a finding by the Bankruptcy Court that the non-discharge of such debt would be unconscionable and upon the condition that the Secretary shall not have waived his or her rights to reduce any Federal reimbursements or Federal payments for health services under any Federal law in amounts up to the balance of the loan. Any changes in the HEAL statute regarding the discharge of a HEAL loan in bankruptcy will apply to this loan.

ACKNOWLEDGMENT

I acknowledge that I have received, read and understand the provisions of this Note, as set forth on all the pages of this document.

GENERAL

The terms of this Note shall be construed according to the Law (42 U.S.C. 292-292o) and the Federal regulation (42 CFR Part 60) governing the administration of the Federal Health Education Assistance Loan (HEAL) Program, copies of which are on file with the holder of this Note.

I agree that all proceeds from this loan will be used solely to repay existing HEAL loans.

I CERTIFY that the above information is true and correct and I have read and understand my rights and responsibilities regarding the HEAL Loan under this Promissory Note.

PRINT NAME	SOCIAL SECURITY NUMBER
SIGNATURE OF BORROWER	DATE

FEDERAL HEALTH EDUCATION ASSISTANCE LOAN PROGRAM
Addendum to
Promissory Note--Refinanced Loan

WARNING: Any person who knowingly makes a false statement or misrepresentation in a HEAL transaction, bribes or attempts to bribe a Federal official, fraudulently obtains a HEAL loan or commits any other illegal action in connection with a Federal HEAL loan is subject to a fine or imprisonment under Federal statute.

Borrower's Name _____ SSN _____

ADDITIONAL STUDENT LOAN INFORMATION: List *all* HEAL loans

Holder/Lender (Name & Address)	Servicer	Original Principal Amount of Loan	Approximate Current Balance
ADDENDUM TOTAL			

NOTE: If additional lines are needed, use another addendum sheet. Attach addendum sheet to promissory note.

Signature of Borrower

Date

Exhibit C Exit Interview Material

Health Education Assistance Loan (HEAL) Program

EXIT INTERVIEW

BORROWER INFORMATION

NOTE: Borrowers should remember that interest on the HEAL loan accrues from the date the loan is disbursed, including all periods while the borrower is in school, in deferment (e.g., for residency training), in forbearance, and in repayment until the loan is fully repaid or cancelled due to the borrower's death or total disability. Interest on HEAL loans may be compounded (added to the principal owed) as often as every 12 months from the date the loan is made. Subject to the terms of the borrower's HEAL promissory note, the borrower may select a monthly repayment schedule with equal, income contingent, or graduated installment payments. Failure to make repayments on time will result in late charges being added to the amount owed and the status of the loan being reported to a credit reporting agency, which may significantly impact the borrower's ability to obtain other credit.

IT IS EACH BORROWER'S RESPONSIBILITY TO UNDERSTAND THE INFORMATION OUTLINED ON THIS PAGE:

1. Each of my rights and responsibilities under the HEAL program.
2. How often interest may be compounded; the effect of the compounding on the amount owed; the effect of making even minimal payments during school and deferment periods equal to the interest accumulating.
3. What I must do if there is a change in my status, e.g., I begin an approved residency, drop out of a residency, change my mailing address, etc.
4. What activities are deferrable, what I must do to obtain a deferment, and that interest continues to accrue during all periods of deferment.
5. When I must contact the lender (holder) concerning repayment terms and options, when repayment begins, and the length of the repayment period.
6. What a graduated repayment or income contingent schedule is and how it can be obtained.
7. That I may be eligible to have my HEAL loans refinanced after I withdraw or graduate from school.
8. How the repayment schedule is affected if I drop out of residency training, default, die, or become totally or permanently disabled.
9. What I should do if I am late in making a payment.
10. What the lender (holder) can do if I am late in making a payment or am declared in default.
11. What the Federal government can do if I am declared in default.
12. What forbearance is and how it can be obtained.
13. Under what circumstances my HEAL loan can be discharged due to bankruptcy.

Health Education Assistance Loan (HEAL) Program

EXIT INTERVIEW

BORROWER'S RIGHTS

1. The lender (holder) cannot change the terms of my HEAL loan without my consent.
2. The lender must provide me with a copy of the completed promissory note when the loan is made. The lender (holder) must return the note to me when the loan is paid in full.
3. The loan check must be made payable jointly to me and the school except that if loan proceeds are disbursed by an electronic transfer mechanism approved by the Secretary, then I must sign a borrower authorization statement. The check or draft must require my endorsement.
4. The lender (holder) will provide me with a repayment schedule before the repayment period begins.
5. If the loan is sold from one lender to another lender, or if the loan is serviced by a party other than the lender, the holder must notify me with 30 days of the transaction and I must be sent a notification which spells out my obligations to the new holder.
6. I have a right to a 9-month "grace period" before repayment begins after I have completed school attendance, internship and residency in an accredited program, or a fellowship training program or full-time educational activity approved by the Secretary for this purpose.
7. I have a right to deferment of principal and interest repayments if certain conditions exist. Under deferment I am not required to make payments on the loan principal or interest for a period of time. However, interest continues to accrue during any deferment period. To receive a deferment, including a deferral of the onset of the repayment period (See Section 60.11(a) of the HEAL regulations). I must, prior to the onset of the activity and annually thereafter, submit to the holder of the note evidence of my status in the deferment activity and evidence that verifies deferment eligibility of the activity. It is my responsibility to provide the holder with all required information regarding the requested deferment.
8. I have a right to prepay the whole or any portion of the loan at any time without a penalty.
9. If I contact the holder of my loan at least 30 but not more than 60 days before the commencement of my repayment period to establish the precise terms of repayment, I may select a monthly repayment schedule with substantially equal installments, a monthly repayment schedule with graduated installments that increase in amount over the repayment period, or a monthly repayment schedule with payments that are based on my debt-to-income ratio during the first 5 years of repayment.
10. My loan obligation will be cancelled in the event of my death or permanent and total disability in accordance with applicable Federal statutes and regulations.
11. "Forbearance" means an extension of time for making loan payments or the acceptance of smaller payments than were previously scheduled to prevent me from defaulting on my payment obligations. I have the right to be granted forbearance whenever I am temporarily unable to make schedule payments of my HEAL loan and I continue to repay the loan in an amount commensurate with my ability to repay the loan unless the Secretary determines that my default is inevitable and the forbearance will be ineffective in preventing default. A lender (holder) must exercise forbearance with terms that are consistent with the 33 year limitation on the length of the repayment if the lender (holder) and the borrower agree in writing to the new terms. Each forbearance period may not exceed 6 months and the total period of forbearance (with or without interruption) granted to me must not exceed 2 years unless an extension is granted by the Secretary.
12. The lender (holder) must notify me in writing of the balance owed for principal, interest, insurance premiums, and any other charges or fees owed to the lender (holder), at least every 6 months from the time my loan was disbursed to me.
13. In consolidation lender and I, by mutual agreement, may consolidate all of my HEAL notes into a single instrument under the terms applicable to an insured loan made at the same time as the consolidation. The lender or loan holder should provide full information to me concerning the advantages and disadvantages of loan consolidation.

Health Education Assistance Loan (HEAL) Program

EXIT INTERVIEW

BORROWER'S RESPONSIBILITIES

1. I understand that there is no interest subsidy on a HEAL loan and that I must pay all interest on the loan. If I do not make payments on time or if I default, the total amount to be repaid will be increased by additional interest costs, attorney's fees, court costs and other collection costs.
2. I must immediately notify the lender (holder) in writing if any of the following occurs to me before the loan is repaid in full:
 - a. change of address,
 - b. name change (e.g., maiden name to married name),
 - c. failure to begin any activity eligible for deferment status, or
 - d. cessation of participation in an activity eligible for deferment status.
3. I must notify the lender (holder) of any occurrence which may affect my eligibility to receive or to continue to receive a deferment of principal and interest payments.
4. To receive a deferment, including a deferral of the onset of the repayment period (See Section 60.11(a) of the HEAL regulations.), I must, prior to the onset of the activity and annually thereafter, submit to the holder of the note evidence of my status in the deferment activity and evidence that verifies deferment eligibility of the activity. It is my responsibility to provide the holder with all required information regarding the requested deferment.
5. I understand that this loan must be repaid in accordance with my repayment schedule. If my account becomes overdue by more than 60 days, the lender (holder) must notify an appropriate consumer credit reporting agency of this, which may significantly and adversely affect my credit rating. The lender (holder) must also use collection agents and utilize other collection activities (which may include litigation) if my account becomes overdue.
6. If I do not make payments when due, my loan may be declared in default. If I default, the Federal Government will take over my loan and I will then owe the Government. The Federal Government will actively pursue me for repayment of the debt, including the use of collection agents and reporting my default to consumer credit reporting agencies or the Internal Revenue Service for purpose of locating me or for income tax refund offset, and referral to the Department of Justice for litigation. I may be the subject of court action to force me to pay. The Secretary shall also cause to be reduced Federal reimbursements or payments for health services under any Federal law to borrowers who are practicing their professions and have defaulted on their loans, and may make other administrative offsets, including salary offsets, for Federal employees. The Government may also report any written off debt to the Internal Revenue Service as taxable income, and may undertake any other debt collection procedures in accordance with the Claims Collection Regulations (45 CFR Part 30).
7. I do not have the right to have my loan discharged in bankruptcy during the first 7 years of the repayment period. This prohibition against the discharge of a HEAL loan applies to bankruptcy under any chapter of the Bankruptcy Act, including Chapter 13. I may have a HEAL loan discharged in bankruptcy after the first 7 years of the repayment period, excluding any periods of forbearance and deferment, only upon a finding by the Bankruptcy Court that the non-discharge of such debt would be unconscionable and upon the condition that the Secretary shall not have waived his or her rights to reduce any Federal reimbursements or Federal payments for health services under any Federal Law in amounts up to the balance of the loan. Any changes in the HEAL statute regarding the discharge of a HEAL loan in bankruptcy will apply to this loan.

**Health Education Assistance Loan (HEAL) Program
EXIT INTERVIEW
PERSONAL DATA**

WARNING: Any person who knowingly makes a false statement or misrepresentation in a HEAL loan transaction, bribes or attempts to bribe a Federal official, fraudulently obtains a HEAL loan, or commits any other illegal action in connection with a HEAL loan is subject to possible fine or imprisonment under Federal statute.

The HEAL loan is very expensive. Interest accrues from the day the loan is made until the loan is paid in full or canceled due to death or total and permanent disability. Interest may be compounded as often as every 12 months and added to the principal, which significantly increases the amount the borrower must repay.

This form must be typed or printed in ink before your first HEAL disbursement in each academic year that you obtain a HEAL loan. All items must be completed; write "none" when applicable. If this form is not completed, you will not be eligible to receive HEAL funds.

Personal Information

Name	Social Security Number
Other Names Used (e.g., maiden)	Date of Birth (month/day/year)

Permanent Address

Street	City	State	ZIP Code
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Local Address

Street	City	State	ZIP Code
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Home Telephone Number ()	Work Telephone Number ()
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Spouse's Name	Spouse's Occupation
Spouse's Employer	Work Telephone Number ()
Employer's Address	Street City State ZIP Code

Miscellaneous Data and Savings and Checking Accounts

Bank	Address	Account Number
Bank	Address	Account Number
Driver's License (Number and State)	State I.D. Card (Number and State)	
Auto Insurance Company	Agent's Name	
Address	Street City State ZIP Code	
Life Insurance Company	Agent's Name	
Address	Street City State ZIP Code	

Parent/Guardian Data

Father's Name	Home Telephone Number ()
Address	Street City State ZIP Code
Father's Employer	Occupation
Employer's Address	Street City State ZIP Code Telephone Number ()

Parent/Gardian Data (Continued)

Mother's Name					Home Telephone Number ()	
Address Street		City		State		ZIP Code
Mother's Employer				Occupation		
Employer's Address Street		City		State		ZIP Code
					Telephone Number ()	
Grandparent's Name					Home Telephone Number ()	
Address Street		City		State		ZIP Code

Brothers/sisters over 18 not living at home (List married name of sister, e.g., Mrs. John Smith)

Name					Home Telephone Number ()	
Address Street		City		State		ZIP Code

Name					Home Telephone Number ()	
Address Street		City		State		ZIP Code

Personal References/Individuals—You must provide 2 references (other than immediate family, students or professors) who will most likely know your address.

Name					Home Telephone Number ()	
Address Street		City		State		ZIP Code

Name					Home Telephone Number ()	
Address Street		City		State		ZIP Code

Future Plans

Beginning on (date—mm/dd/yy)		Education (College/University)					
Internship/Residency		Specialty in		Name of Hospital		City	State
Employer				Occupation			
Employer's Address Street		City		State		ZIP Code	Telephone Number ()
State(s) in which you plan to obtain licensure/certification				Other (specify, e.g., Armed Forces, Peace Corps, etc.)			

Data Related to Education Financial Aid

Received while attending current educational institution						
<input type="checkbox"/> PELL	<input type="checkbox"/> SEOG	<input type="checkbox"/> NDSL	<input type="checkbox"/> GSL	<input type="checkbox"/> Social Security	<input type="checkbox"/> Veteran's Benefits	<input type="checkbox"/> Work Study
<input type="checkbox"/> HPSL	<input type="checkbox"/> EFN	<input type="checkbox"/> FADHPS	<input type="checkbox"/> Other (Specify) _____			
Fraternity or Sorority Membership (name)				Professional Organization Membership (name)		

I, the borrower, certify that the information contained in this form is true, complete, and correct. I hereby authorize in accordance with the Privacy Act of 1974 (5 U.S.C. 552a) release of this information to the HEAL loan holder, Federal Agencies, contractors which assist the Federal Government in the administration of the HEAL program, consumer reporting agencies, debt collection bureaus, and other private and public parties.

Borrower's Signature

Date

**Health Education Assistance Loan (HEAL) Program
EXIT INTERVIEW
SUPPLEMENT**

To Be Completed by the Educational Institution (Type or Print)

1. A. Borrower's Name	1. B. Borrower's Social Security Number
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2. Borrower directed to contact the following lender(s) (holder(s)) concerning specific repayment terms and options, deferment rights and responsibilities, forbearance rights and responsibilities, etc.:
LENDERS(S)/HOLDER(S)

Name	Address (Include ZIP)
A.	
B.	
C.	
D.	
E.	
F.	
G.	
H.	

3. Sign either statement 3A or 3B, whichever is appropriate.

A. I have informed the borrower in the exit interview of his or her rights and responsibilities under each HEAL loan, including the consequences for noncompliance with those responsibilities.

Name of Authorized Official (PRINT)	Title
Signature of Authorized Official	Date

B. The borrower departed from school prior to the anticipated date or, for other reasons, did not receive an exit interview. Therefore, the exit interview information was mailed to the loan recipient and he or she was instructed to forward the required information to the lender(s) (Holder(s)).

ADDRESS TO WHICH INFORMATION WAS MAILED:

Street	City	State	Zip Code
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Name of Authorized Official (PRINT)	Title
Signature of Authorized Official	Date