

Bureau of Health Professions

February 24, 1994

To: Schools, Lenders, and Holders Participating in Health Professions Student Assistance Programs

Subject: Revised Deferment Procedures and Forms; HEAL Extended Forbearance

School Policy Memorandum S-94-7

Lender Policy Memorandum L-94-7

Campus-Based Programs Policy Memorandum 22

Introduction

This memorandum: (1) Provides guidance on implementing revised self-certification procedures for processing deferment requests from borrowers in internship or residency training; (2) provides copies of revised deferment forms which incorporate statutory and policy changes affecting deferment; and (3) explains extended forbearance procedures which have been developed to facilitate repayment by delinquent HEAL borrowers.

Deferment Provisions

Changes to the HEAL and Campus-Based Deferment Forms (attached) have been made to reflect legislative amendments made by Public Law 102-408, enacted October 13, 1992, and to make the forms easier for the borrower to understand and complete. It is the Department's intention to reduce the number of technical defaults that occur because borrowers do not properly complete the deferment form.

The revised deferment forms for both HEAL and the campus-based programs allow borrowers in internship and residency programs to self-certify their eligibility for deferment; the signature of an authorized program official (e.g., residency director) is no longer required. Adequate information is requested from the borrower to allow schools and lenders to verify the accuracy of the information at their discretion, as appropriate. Schools and lenders may implement this revised procedure immediately. Other deferment activities (e.g., uniformed services, Peace Corps, etc.) continue to require the signature of an authorizing official of the school,

institution, agency or organization in which the borrower is participating or employed.

HEAL: The revised HEAL deferment form includes the following recently-enacted deferment provisions, which are available for HEAL loans made on or after October 13, 1992:

- (1) A primary care deferment for any borrower who has completed an approved internship or residency training program in osteopathic general practice, family medicine, general internal medicine, preventive medicine, or general pediatrics and is practicing primary care (3-year limit). Eligibility for the type of deferment is to be self-certified by the HEAL borrower; and
- (2) A 1-year deferment for graduates of a chiropractic school. A graduate of a chiropractic school will automatically receive the 1-year chiropractic deferment without submitting a deferment form, provided that the chiropractic school sends enrollment changes and graduation rosters to the lenders as required by section 60.53 of the HEAL regulations. The deferment form is to be used by a borrower to request 1-year chiropractic deferment only if the lender has not received enrollment changes from the school verifying the borrower's graduation.

In addition, the HEAL deferment form has been redesigned to make it easier for the borrower to understand and accurately complete. The instructions are easier to read. A section has been added to allow the borrower to include an address for the lender that is to receive the complete form. This should facilitate getting the form to the proper place in a timely manner.

Campus-based programs: The revised deferment form for campus-based programs includes a new section for Primary Care Loan (PCL) borrowers and Exceptional Financial Need (EFN) and Financial Assistance for Disadvantaged Health Professions Students (FADHPS) recipients to indicate that they are pursuing internship/residency training in primary care.

HEAL Extended Forbearance Provisions

In an effort to reduce defaults, the Department is authorizing HEAL extended forbearance (e.g., more than the normal 24 months of forbearance allowed without specific DHHS approval)

to borrowers in litigation who want to bring themselves current, but are unable to cure their past delinquency.

Under this option, the lender may recalculate the borrower's repayment schedule based on the outstanding balance of the loan and time remaining in the repayment period. The new repayment agreement does not allow repayment to be extended beyond the original 25-year repayment period. Repayment must still be completed within the time period provided for in the HEAL promissory note. The lender may grant an extended forbearance for the period of delinquency without requesting approval from DHHS, using a single forbearance form regardless of the length of the forbearance period.

To qualify for this option, the borrower must sign (1) a letter of agreement (suggested agreement is attached) outlining the steps to secure the extended forbearance, (2) a new forbearance form, and (3) a new repayment agreement/schedule. The borrower must also make a "good faith" payment covering late fees, litigation fees, court costs, and other related collection costs, if any. The necessary paperwork and required payment should be completed and returned to the lender/holder within 30 days or the account will be returned to the appropriate phase of the litigation process.