

DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

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

Bureau of Health Professions

JUN 12 1989

TO: Lenders and Schools Participating in the Health Education
Assistance Loan (HEAL) Program

SUBJECT: Application and Disbursement Processing
HEAL School Policy Memorandum # 15
HEAL Lender Policy Memorandum # 89-7

This memorandum addresses several problems the HEAL Program has been experiencing in processing applications and disbursements, including school misuse of the multiple disbursement requirement, inaccuracies in the completion of the loan application and the lender manifest, the reporting by lenders of disbursements without accompanying applications, the re-issue of voided disbursements, and illegible forms. The memorandum concludes with a general statement regarding the consequences of submitting incorrect or illegible applications or manifests.

Multiple Disbursements

The multiple disbursement requirement is intended to assure that a borrower does not receive HEAL funds prior to the beginning of the academic period (semester, trimester, quarter) for which they are needed, and that the borrower and school reassess the amount of HEAL funds needed prior to receipt of a second and/or third disbursement. Some schools have been requesting multiple disbursements occurring in the same month, in some cases one day after another. This practice is an inappropriate method of implementing the multiple disbursement requirement. Therefore, the HEAL program will not allow two disbursements to the same borrower during a single month. Any application requesting such must be disapproved by the lender.

Application Errors

Some schools have been entering their school identification numbers (SID) in Item 18 of the HEAL loan application incorrectly, by placing a zero in front of the HEAL-approved SIU. All HEAL-approved SIDs have five digits and begin with the number "2".

Many alien student borrowers have been completing Item 7 incorrectly. Alien student borrowers with U.S. permanent residency status must answer "yes" to Item 7(c) and complete Item 8. Financial Aid Officers are reminded that the permanent residency card (I-151 or I-551) must have no expiration date on it for the applicant to be eligible for a HEAL loan. This information must be submitted to the HEAL Program correctly or the loan will be uninsurable.

In Item 25 of the HEAL application, a school should not request more than three disbursement installments of a loan. If a school requests more than three loan installments, the lender will return the application to the school for correction or combine the loan installments so that only three disbursements are made, indicating in Item 32 the revised disbursement amounts and dates.

Problems with the Lender Manifest

Some lenders have been reporting on the lender manifest (HRSA-505, Rev.5/88) disbursements for which they have not provided applications, with a letter indicating that the applications are to follow. Applications must be submitted to the HEAL Program at the same time that disbursements are reported. Any disbursement for which the HEAL program has no application on file is not considered a HEAL loan and is not Federally insured.

When submitting second and third disbursements, some lenders have been reporting incorrect first disbursement dates in column (4)A of the lender manifest. In addition, some of the Social Security Account Numbers (SSN) reported by the lender on the lender manifest have not matched those on the loan applications. In either of these cases, the HEAL data system rejects the disbursement because it does not match any loan on file. It is the lender's responsibility to assure the accuracy of all entries on the lender manifest, and to carefully review the data to ensure that it matches the information on the original loan application. Any disbursement rejected for these reasons will be returned to the lender for correction. The lender must resubmit the disbursement correctly (citing the appropriate manifest number the resubmitted disbursements pertain to) within the 60-day period from disbursement of the loan permitted in the regulations in order to assure an insurable loan.

Voided Disbursements

If any disbursement installment of a multiple disbursement loan is voided, that disbursement installment (ex. voided 1/3 disbursement) can not be re-issued against the same loan application. A new application will be required if the borrower requests another disbursement for the same installment period as the voided disbursement. The other or remaining disbursements listed on the original loan application (ex. 2/3 and 3/3 disbursements) may be processed at the proper time period.

Illegible Forms

The HEAL Loan Application, the Lender Manifest, and the Report on HEAL Loans Outstanding (HRSA-512) are printed on NCR Paper, which loses its flprinting power" with age. As a result, the HEAL Program has been receiving light, barely legible copies of some of these forms. Lenders

must assure that all copies submitted to the HEAL Program are clear, legible copies. If the data cannot be read, incorrect data may be entered into the HEAL files and problems will occur when lenders submit disbursements and claims. Lenders who print their own forms should limit the quantity ordered each time and order more frequently, so as to maintain only good quality forms on hand. This will help assure that the copies given to the HEAL Program, the school, and the borrower are legible.

Consequences of Submitting Deficient Applications or Manifests

Lenders who submit borrower applications that are incomplete, incorrectly prepared, or illegible may find that these loans will not qualify for Federal insurance. In the past, although it is the lender's responsibility to assure that the application is properly completed prior to approval and disbursement of the loan, the HEAL Program has attempted to assist lenders by correcting application deficiencies in-house to the extent possible. However, the magnitude of problems has become so great that I have directed the HEAL Program to begin returning any such applications (or in the case of computer tape processing, a Transactions Process Report) to the lender for correction. The 60-day period from the date of disbursement within which the application and insurance premium must be submitted will not be extended in these situations; to be eligible for Federal insurance, these applications or the Transactions Process Report must be corrected and returned to the HEAL program under a separate cover letter within 60 days of the date of disbursement. If the corrected application or Transactions Process Report is not returned to the HEAL Program within the 60 day period from date of disbursement, I have directed the HEAL Program to request the Division of Fiscal Services issue a check to refund the insurance premium amount for those loans that were ineligible for Federal insurance.

The HEAL Program has been encouraging lenders to adopt the computer electronic tape-to-tape or floppy disk mechanism for processing applications and disbursements. A number of large lenders have been submitting their applications and disbursements in this manner. Experience with the electronic mechanism has revealed a significant reduction in errors made by these lenders and less processing time required by the HEAL Program in order to effect any necessary corrections. I would like to strongly encourage lenders to pursue this type of processing mechanism to help assure that your HEAL applications and disbursements are submitted accurately within the 60-day period from the disbursement date required to qualify for Federal insurance. Also, lenders using the electronic tape mechanism may wish to consider utilizing an edit check system to ensure that all data fields are properly completed before submitting the tape to the HEAL Program.

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In addition, lenders or holders that submit deficient applications or manifests will be subject to special review during the annual application process required by section 60.31 of the HEAL regulations. Specific attention is invited to section 60.31(a)(1), which directs the Secretary, in determining whether to enter into an insurance contract with an applicant, to consider whether the applicant is capable of complying with the HEAL regulatory requirements.

If you need further assistance regarding any of the topics discussed in this policy memorandum, please call Terri M. Ehrenfeld in the HEAL Branch on (301) 443-1540.

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Division of Student Assistance