

**DEPARTMENT OF HEALTH & HUMAN SERVICES**

**Public Health Service**

NOV 19 1993

Bureau of Health Professions

**Services Administration**

**Health Resources and**

**Rockville MD 20857**

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

Subject: HEAL-to-HEAL Loan Consolidation--Announcement  
HEAL Lender Policy Memorandum L-94-3  
HEAL School Policy Memorandum S-94-2

The Health Professions Education Extension Amendments of 1992, Public Law 102-408, Section 706(e) authorized HEAL-to-HEAL Loan Consolidation. We issued Lender Policy Memorandum #93-14 and School Policy Memorandum #39 dated July 30, 1993, to detail the specifics of this program. As a standard policy, the HEAL Program will inform all lenders and schools when a lender is ready to implement HEAL-to-HEAL consolidation and provide information concerning each lender's program.

The HEAL Program announces that Mellon Bank, N.A., the Consolidation Lender, and the Pennsylvania Higher Education Assistance Agency (PHEAA), Agent for Mellon Bank, have implemented a HEAL-to-HEAL consolidation loan program and are accepting applications.

Mellon Bank, in conjunction with PHEAA, has developed the HEALthy Alliance Federal HEAL Consolidation Loan Program. This program allows eligible HEAL borrowers to consolidate all of their HEAL loans into a single new loan with a single monthly -payment, serviced by PHEAA. The HEALthy Alliance program provides a 4.9% introductory annual percentage rate until September 30, 1994. Subsequently, the interest rate will be indexed to the 91-day T-Bill rate plus 2.7% adjusted quarterly. Their program offers three repayment plan options including an income sensitive repayment option. Some possible advantages of loan consolidation are as follows: discounted interest rates, alternative repayment schedules, additional years of deferment to eligible borrowers and additional forbearance provisions, extended repayment term of up to 25 years, and annual interest capitalization. Stated disadvantages are that total interest payments may be higher due to an extended repayment period, borrowers that consolidate too soon after graduation may be unable to take advantage of additional deferment eligibility, and that all HEAL loans must be included to qualify for consolidation.

Information regarding this program can be obtained by contacting PHEAA at 1-800-421-4817.

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The HEAL Program does not endorse any particular lender's loan consolidation program. We will provide you with additional information about other loan consolidation programs as they become available. Please contact the HEAL Branch at (301) 443-1540 if you have any questions.

Stephen J. Boehlert  
Chief, HEAL Branch  
Division of Student Assistance