

Bureau of Health Professions

April 24, 2001

To: Lenders/holders/Servicers Participating in the Health Education Assistance Loan (HEAL) Program

Subject: Clarification of HEAL Litigation Filing Procedures and Time Frames
Lender Policy Memorandum L-2001-6

We have been asked to clarify and update the procedures and timing for commencing litigation against a delinquent HEAL borrower. The lender is required to adhere to the following steps and time frames to be in compliance with HEAL policy and avoid penalty for “excessive” filing times.

By Day 150 Delinquent – HEAL’s third pre-claims assistance letter is mailed to a delinquent HEAL borrower. Lender can continue to attempt to collect the account.

By Day 180 Delinquent – The “Official” litigation filed date. Sometime between 150 to 180 day's delinquent is the litigation filed date that must be reported to HEAL on the monthly litigation tape. A Lender can continue to attempt to collect the account and has until day 210 to send litigation package/documents to the litigation vendor/attorney.

By Day 210 Delinquent – Vendor/attorney sends a collection notice to the borrower—not able to collect for 30 days until day 240.

By Day 240 Delinquent – Vendor/attorney attempts to collect the account and prepares case for court.

By Day 270 Delinquent – Lawsuit must be filed by day 270.

An action may take place before the end of any of the time periods without affecting the timing of subsequent actions. For example, if an account is sent to a vendor/attorney on day 200 rather than day 210, the vendor/attorney still has until day 240 before attempting to collect the account. If, however, an action is not performed within a particular time frame, a penalty will be assessed even if the total elapsed time is less than or equal to the total number of days allowed for the entire litigation process. For example, if the vendor/attorney is not sent the account until day 230, but the remainder of the litigation process is accelerated so that the lawsuit is filed on day 265, the penalty would nevertheless be the 20 days that the account was late going to the vendor/attorney.

Failure to follow these time frames will result in, at the very least, an interest penalty. The penalty will be calculated by determining the number of days beyond the maximum allowable number of days for each step of the process and multiplying by the daily interest accrual.

If you have any questions regarding this policy memorandum, please contact Ms. Christine Parks of the HEAL Program at (301) 443-1540.

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