

Bureau of Health Professions

April 23, 2002

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

Subject: Clarification of HEAL Skip-Tracing Procedures
Lender Policy Memorandum L-2002-5

We have been asked to clarify and update HEAL claim filing procedures, and timing in the event a lender has not been able to locate a borrower and the borrower's HEAL account has become delinquent. Reference is made to section 60.35(a)(2) of the HEAL regulations which states that, "If the lender or holder is unable to locate either the borrower or the endorser at any time, the lender or holder must initiate and use skip-tracing activities....." Skip-tracing procedures should include contacting every individual named on the borrower's HEAL application and promissory note, using such sources as telephone directories, city directories, postmasters, drivers license records, State and local government agencies, records of members of professional associations, consumer credit reporting agencies, skip locator services, and records at any school attended by the borrower. The lender or holder is required to clearly document its thorough skip-tracing efforts (including the dates certain actions were taken) in the Loan Servicing History.

It is important to note that we will allow a period of no more than 90 days (except where the lender/holder shows just cause that more time is needed and receives approval from the HEAL Program) for the lender to complete a comprehensive skip-tracing effort. Once this effort has been concluded, a lender will have 30 calendar days in which to submit a claim for review. Thus, a lender will be given a maximum of 120 days from the point a borrower is considered "skipped" to conduct skip-tracing and to file a claim without penalty.

The skip-tracing time period of 90 days was determined after reviewing a sample of "skip" claims submitted to the HEAL Program. Submitting a claim for review within 30 calendar days of the day the skip-tracing effort is concluded (if unsuccessful at locating the borrower) is consistent with other HEAL claim filing time frames. If a borrower contacts the lender or holder within this time period, and the borrower provides the lender with a new address and telephone number, but does not satisfy his/her delinquency, the lender or holder must either continue with delinquent processing and/or submit the account for litigation. Again, this is to be clearly documented in the Loan Servicing History.

Finally, for borrowers who can be considered "habitual skippers", that is, they skip more than once within a 24 month period, the lender need only complete a second cycle of skip-tracing prior to submitting the claim for payment. In other words, the lender or holder must submit a claim for review within 30 days after completing a second cycle of

skip-tracing if unsuccessful at locating the borrower—just as in the first cycle where a borrower cannot be located. **However, a lender will now be required to submit a claim for review within 30 days after determining**

that a borrower has skipped for a third time within a 24 month period without skip-tracing the borrower another time. A borrower should not be skipped more than twice within any 24 month period. We do not want skip-tracing to continue time after time over a period of months or years where it is apparent that the borrower does not intend to repay his/her HEAL loan. This practice applies to the current holder of a borrower's loan(s) once they have held the account for a period of 24 months. In other words, current loan holders are not responsible for accounting for any skip-tracing that took place prior to their ownership.

If the above time frames are not followed, interest penalties will be assessed. For example, accrued interest will be deducted for skip-tracing that exceeds 90 days per cycle (without HEAL approval) or where the claim is not submitted within 30 days of a completed cycle of skip-tracing or within 30 days of determining a borrower has skipped for the third time within a 24 month period.

Please contact Ms. Terri Ehrenfeld of the HEAL Program at (301) 443-1540 if you have any questions concerning this policy memorandum.

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