

Department of Health and Human Services

Bureau of Health Professions
Health Resources and Services Administration
Rockville, MD 20857

April 25, 2002

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

SUBJECT: Clarification of HEAL Extended Forbearance Policy and Requirements Lender Policy Memorandum L-2002-6

This is to clarify the number of times a HEAL loan holder may grant "Extended Forbearance" to a HEAL borrower. Extended Forbearance is an "eleventh hour" default prevention tool, a unique one-time opportunity to avoid a judgment, in contrast to a routine forbearance period granted on multiple occasions.

According to HEAL Policy Memorandum L-94-7, a HEAL loan holder may grant an "Extended Forbearance" to a borrower in litigation who cannot bring his/her account current by paying the entire amount of the delinquency, but can make monthly payments on the loan. Extended Forbearance allows the holder to incorporate the amount of the borrower's delinquency into the loan principal, then calculate a new monthly payment schedule.

To obtain an Extended Forbearance, a borrower must: a) sign a letter of agreement; b) sign a new repayment schedule; and c) make a "good faith" payment covering late fees, litigation fees, court costs, and other related collection costs. These requirements are designed to impress upon the borrower the importance of making regular, timely HEAL loan payments to remain in good standing in return for avoiding a judgment.

Effective as of the date of this memorandum, a holder may not grant a borrower more than one Extended Forbearance. If a holder grants more than one Extended Forbearance to a borrower, the amount of interest that accrues on the account during all but the first Extended Forbearance will not be payable in the event of filing a claim on this debt. The only exception to this restriction is that borrowers who refinance their HEAL loans may obtain two Extended Forbearances: one before their loans are refinanced and once following refinancing.

For a claim on a loan on which a holder has granted multiple Extended Forbearances to a borrower prior to the date of this memorandum, the holder must include in the claim a written statement justifying the additional Extended Forbearance(s). Failure to submit this statement or inadequate justification for the additional Extended Forbearance(s) will result in the deduction from the claim

of the interest that accrued 011 the debt during the additional Extended Forbearances.

This requirement is based on the HEAL regulations on forbearance (42 CFR § 60.37 (c)(1)) which states that in granting an extension of a forbearance period,:

a lender or holder must reasonably believe that the borrower intends to repay the loan but is currently unable to make payments in accordance with the terms of the loan note. The lender or holder must state the basis for its belief in writing and maintain that statement in its loan file on that borrower.

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

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