

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE  
OFFICE OF EDUCATION  
BUREAU OF STUDENT FINANCIAL ASSISTANCE  
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To: Schools  
Participating in  
the Health  
Education  
Assistance  
Loan (HEAL)  
Program

INTEREST CHARGES ON PAID-IN-FULL LOANS

There have been a number of student loans made in the HEAL Program, which have either been paid-in-full within 30 days from the date of disbursement, or the disbursement check was not accepted by students at the schools. In these cases the borrowers apparently obtained other sources of financial assistance to replace the HEAL loan proceeds. These situations have raised the question of whether the accruing interest must be paid by the borrower.

the HEAL Regulations require that except where a lender is also a school, a lender must mail the check to the school for delivery to the student borrower. If a school determines that a student does not plan to enroll, the school must return a loan disbursement check to the lender within 30 days.

When the lender determines that the borrower needs the loan proceeds for the cost of education the lender has the contractual right to send the check to the school for the borrower and may charge the borrower for the accruing interest.

If the borrower has obtained other sources of financial assistance, it is his/her responsibility to inform the lender or the school that the loan proceeds are not longer needed. It is the school's responsibility to return the loan disbursement check to the lender within 30 days after it is determined that the student does not need the loan proceeds.

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