

**§ 60.42 Records, reports, inspection, and audit requirements for HEAL lenders and holders.**

(a) *Records.* (1) A lender or holder must keep complete and accurate records of each HEAL loan which it holds. The records must be organized in a way that permits them to be easily retrievable and allows the ready identification of the current status of each loan. The required records include:

- (i) The loan application;
- (ii) The original promissory note;
- (iii) The repayment schedule agreement;
- (iv) Evidence of each disbursement of loan proceeds;
- (v) Notices of changes in a borrower's address and status as a full-time student;
- (vi) Evidence of the borrower's eligibility for a deferment;
- (vii) The borrower's signed statement describing his or her rights and responsibilities in connection with a HEAL loan;
- (viii) The documents required for the exercise of forbearance;
- (ix) Documentation of the assignment of the loan; and
- (x) Evidence of a borrower's creditworthiness, including the borrower's credit report.

(2) The lender or holder must maintain for each borrower a payment history showing the date and amount of each payment received on the borrower's behalf, and the amounts of each payment attributable to principal and interest. A lender or holder must also maintain for each loan a collection history showing the date and subject of each communication with a borrower or endorser for collection of a delinquent loan. Furthermore, a lender or holder must keep any additional records which are necessary to make any reports required by the Secretary.

(3) A lender or holder must retain the records required for each loan for not less than 5 years following the date the loan is repaid in full by the borrower. However, in particular cases the Secretary may require the retention of records beyond this minimum period. A lender or holder must keep the original copy of an unpaid promissory note, but may store all other records in microform or computer format.

(4) The lender or holder must maintain accurate and complete records on each HEAL borrower and related school activities required by the HEAL program. All HEAL records shall be maintained under security and protected from fire, flood, water leakage, other environmental threats, electronic data system failures or power fluctuations, unauthorized intrusion for use, and theft.

(b) *Reports.* A lender or holder must submit reports to the Secretary at the time and in the manner required by the Secretary.

(c) *Inspections.* Upon request, a lender or holder must afford the Secretary, the Comptroller General of the United States, and any of their authorized representatives access to its records in order to assure the correctness of its reports.

(d) The lender or holder must comply with the Department's biennial audit requirements of section 705 of the Act.

(e) Any lender or holder who has information which indicates potential or actual commission of fraud or other offenses against the United States, involving these loan funds, must promptly provide this information to the appropriate Regional Office of Inspector General for Investigations.

(Approved by the Office of Management and Budget under control numbers 0915-0043 and 0915-0108)

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**§ 60.43 Limitation, suspension, or termination of the eligibility of a HEAL lender or holder.**

(a) The Secretary may limit, suspend, or terminate the eligibility under the HEAL program of an otherwise eligible lender or holder that violates or fails to comply with any provision of title VII, part A, subpart I of the Act as amended (42 U.S.C. 292-292p), these regulations, or agreements with the Secretary concerning the HEAL program. Prior to terminating a lender or holder's participation in the program, the Secretary will provide the entity an opportunity for a hearing in accordance with the procedures under paragraph (b) of this section.

(b) The Secretary will provide any lender or holder subject to termination