

# Supporting Statement A

## Health Education Assistance Loan (HEAL) Program: Forms

### OMB Control No. 0915-0034

#### A. Justification

##### 1. Circumstances of Information Collection

This is a request for renewal of OMB approval of information collection requirements associated with the forms of the Health Education Assistance Loan (HEAL) Program, currently approved under OMB No. 0915-0034, which expires October 31, 2012. The HEAL forms and collection burden for which approval is requested are listed below.

\* Lender's Application for Contract of Federal Loan Insurance (HRSA Form 504) which is required under section 706 of the Public Health Service (PHS) Act (42 U.S.C. 292e), and the HEAL regulations (42 CFR 60.31(a)).

\* Borrower Loan Status Updates, (datasets) (formerly collected under Lender's Manifest, (HRSA Form 505) which is required under section 705 of the PHS Act (42 U.S.C. 292d), and the HEAL regulations (42 CFR 60.42(a)(2)).

\* Loan Purchases & Consolidation, (datasets) (formerly collected under Loan Transfer Statement (HRSA Form 507) which is required under section 705 of the PHS Act (42 U.S.C. 292d), and the HEAL regulations (42 CFR 60.38(a)).

\* Borrower's Deferment Request (HRSA Form 508) which is required under section 705 of the PHS Act (42 U.S.C. 292d), and the HEAL regulations (42 CFR 60.12).

The HEAL program, governed by sections 701-720 of the PHS Act (42 U.S.C. 292-292o), provided federally insured loans to students in schools of allopathic medicine, osteopathic medicine, dentistry, veterinary medicine, optometry, podiatric medicine, pharmacy, public health, or chiropractic, and graduate students in health administration or clinical psychology through September 30, 1998. Lenders, such as banks, savings and loan associations, credit unions, pension funds, State agencies, HEAL schools, and insurance companies, made HEAL loans which were insured by the Federal Government against loss due to borrower's death, disability, bankruptcy, and default. The basic purpose of the program was to assure the availability of funds for loans to eligible students who desired to borrow money to pay for their educational costs.

Lenders must apply to the Department to participate in the HEAL program and report various actions which occur regarding the individual loans and borrowers.

Clearance of this information collection is necessary for the Department to assure reasonable standards of financial responsibility among institutions that hold and service loans under the HEAL program.

Authorization to fund new HEAL loans to students expired September 30, 1998. Authorization allowing for the refinancing or consolidations of existing HEAL loans expired on September 30, 2004. The reporting, notification, and recordkeeping burden associated with servicing outstanding loans, and administering and monitoring the HEAL program continues.

## **2. Purpose and Use of Information**

The forms and/or reporting of information via tape or disk are needed to assure that lenders and the Federal Government have current information on the status of loans and borrowers, and are in a position to administer the program in a diligent manner which protects the Government's financial interest in the program. Non-substantive changes were made to HRSA Form 504 and HRSA Form 508 in this package, such as updating the public burden statements where required.

- A. The Application - HRSA Form 504 is used by the Department to obtain information needed to assess the capabilities of holders to comply with the HEAL statute, regulations and policies. The form must be completed annually and acts as a contract stipulating the conditions for participation as a HEAL holder and specifying the program standards and rules. The form also collects such necessary information as the type of institution, name and address of the institution and provides contact information. No substantive changes have been made to this form.
- B. Borrower Loan Status Updates - (datasets). The status information about a loan is electronically submitted to the Department by the lenders/holders according to tape specifications provided by the Department.
- C. Loan Purchases & Consolidation - (datasets). All information about a loan that is being transferred between two parties is electronically submitted to the Department by the buyer (HEAL participating secondary market holders) according to specifications provided by the Department. It is reported within 30 days of any transaction.
- D. The Borrower's Deferment Request - HRSA Form 508 is used to determine which borrowers are deferred from repayment, for what reason, and for what period of time. This form is completed by the borrower as a self-certifying form only if the borrower is participating in an approved internship or residency (item 2), fellowship program or educational activity (item 3), or when the borrower completes an internship or residency training in certain specified disciplines (item 8) and is practicing primary care. In all other deferment categories, it is completed by the borrower and his/her specified authorizing official. The borrower must return this form to his/her lenders(s) each year a deferment is requested. The lender uses the form to determine a borrower's eligibility for deferment. A new deferment provision was included with the enactment of Public Law 105-392 on November 13, 1998. Changes were made to this form in December 1998 to incorporate the new deferment provision for HEAL borrowers that provide health care

services to Indians through any health program or facility funded in whole or part by the Indian Health Service for the benefit of Indians (Section 705(a)(2)(C) of the PHS Act. No changes have been made to this form since the 2003 request for approval.

### **3. Use of Improved Information Technology**

All servicers on behalf of the holders report borrower status changes and loan purchases to the Department electronically.

The short application form, submitted annually, requires an official signature by the lender and is therefore not acceptable through electronic technology.

The Borrower's Deferment Request is completed by each borrower, and if applicable, his/her authorizing official. It is then returned by the borrower to the holder and is maintained in the borrower's file. Information concerning the borrower's deferment status is then electronically transmitted to the Department.

### **4. Efforts to Identify Duplication**

The information to be reported does not duplicate any other information reported by HEAL holders, the HEAL borrower, or a HEAL borrower's employer.

In reviewing the Department of Education forms the following conclusions were made:

- A. The Application - HRSA Form 504 - This form is used as a contractual agreement between the Department (guarantee authority) and individual holders. The Department of Education's contractual agreement is between the Department of Education and guarantee agencies in the United States. The agreements are not the same therefore the Department form is used.
- B. The Borrower's Deferment Request - HRSA Form 508 - The Department of Education Deferment Request Form is different than that used by the HEAL Program. The legislative deferment provisions under Department of Education student assistance programs listed on their form are different than the legislative provisions listed on the HEAL Borrower's Deferment Request Form. Therefore, the HEAL Borrower's Deferment Form is used.

### **5. Involvement of Small Entities**

The information collection does not involve small businesses or other small entities.

### **6. Consequences If Information Collected Less Frequently**

The information is collected at critical intervals in the management of program activity. If the information were collected less frequently it would be detrimental to the diligent monitoring of the program.

**7. Consistency with the Guidelines in 5 CFR 1320.5(d)(2)**

This information collection is consistent with 5 CFR 1320.5(d)(2).

**8. Consultation Outside the Agency**

The notice required by 5 CFR 1320.8(d) was published in the Federal Register on May 15, 2012 (Vol.77, No.94, p.28605). No comments were received.

In April 2012, the HEAL program staff contacted representatives of two HEAL lenders to review and comment on the clarity of the forms and the burden hours required to complete them. The burden estimate to complete the forms was reported as accurate and there were no unresolved issues. The following consultants were contacted:

1. Ms. Patricia Walton  
Supervisor, Claims Servicing  
Pennsylvania Higher Education  
Assistance Agency (PHEAA)  
1200 North Seventh Street  
Harrisburg, PA 17102  
(717) 720-3218
  
2. Kathryn Noone  
Manager, Guarantor Relations & Compliance  
Student Loan Marketing Association  
220 Lasley Drive  
Hanover Industrial Estates  
Wilkes-Barre, PA 18706  
570-821-4578

**9. Remuneration of Respondents**

Not applicable.

**10. Assurance of Confidentiality**

The Privacy Act of 1974 (5 U.S.C. 522a) requires an agency to provide a notification to individuals who supply information. The required Privacy Act notification is provided to HEAL borrowers on the initial application form and the repayment schedule. Disclosure of the applicant's Social Security Number (SSN) is mandatory for participation in the HEAL program, as provided for by section 4 of the Debt Collection Act of 1982 (26 U. S. C. 6103), and the borrower is advised of this requirement in the HEAL application. Access to these records is strictly limited to authorized users who are aware of their responsibilities under the Privacy Act and are required to maintain Privacy Act safeguards with respect to such records. A system of records, #09-14-0044, was established and still exists for the HEAL program.

**11. Questions of a Sensitive Nature**

The HEAL regulations require that sensitive information (e.g., the borrower's SSN) be submitted. Authority for the SSN request is contained in section 4 of the Debt Collection Act of 1982 (26 U.S.C. 6103).

**12. Estimates of Annualized Hour Burden**

The respondent burden is estimated as follows:



Collection Activity	Number of Respondents	Responses per Respondent	Total Responses	Average Time Per Response	Total Burden Hours	Average Wage Rate	Total Hour Cost
HRSA Form 504	15	1	15	8 min	2	\$31	\$ 62
HRSA Form 508:							
Borrowers	28	1	28	10 min	5	31	\$ 155
Employers	23	1.21	28	5 min	3	37	\$ 111
Borrower Loan Status Update Electronic Submission	5	15	75	10 min	13	31	\$ 403
Loan Purchase/consolidation Electronic Submission	2	2.5	5	4 min	.33	31	\$ 10
<b>TOTAL</b>	<b>73</b>		<b>151</b>		<b>23.33</b>		<b>\$ 741</b>

Basis for Burden Estimates:

Application for Contract of Federal Loan Insurance (HRSA Form 504) - Each holder of a HEAL loan must annually apply to the Department to have the loan(s) covered by the Federal loan insurance. There are currently 15 holders that must apply each year for the insurance by completing the HRSA Form 504. Based on the advice received from the holder consultants, the estimate for 8 minutes to complete an application remains unchanged (15 holders x 1 annual application x 8 minutes = 2 hours).



Borrower's Deferment Request (HRSA Form 508)- The Borrower's Deferment Request is completed by the borrower and the employer when a deferment is being requested. The borrower must inform the lender annually of his/her current status if deferment is being claimed. The majority of deferments last approximately 3.5 years (residency training). The latest lender's quarterly report (HRSA 512) summary, as of 9/30/11, indicates 28 borrowers in deferment. Based on discussions with lenders and program experience, it takes approximately 10 minutes to complete the borrower's portion of the form (28 borrowers x 1 report per year x 10 minutes = 5 hours).

There are approximately 23 authorizing officials who complete the forms for 28 borrowers, for an average of about 1.21 forms per employer. Based on discussions with holders and program experience, it takes approximately 5 minutes for the authorizing official to complete the form (28 responses x 5 minutes = 3 hours).

Borrower Loan Status Updates, Each holder must report actions which are taken regarding each loan held. Currently there are 15 secondary market holders whose loans are serviced by 5 loan servicing entities. The most frequently reported actions include change of borrower loan status into deferment, grace or repayment status, forbearance and loans paid-in-full. These actions are to be reported within 30 days of when they occur although the holders/servicers can report them on a more frequent basis. During FY 2011 there were approximately of 75 responses each requiring 10 minutes to complete (75 responses x 10 minutes = 13 hours).

Loan Purchase/Consolidation electronic submission, In fiscal year 2011 there were 5 loan transfers between holders, since HEAL loan consolidation authority ended September 30, 2004. No HEAL loan consolidations will be permitted from that date forward. The buyer must notify the Department within 30 days of the loan purchase. Loan purchases are most frequently completed when a borrower enters repayment status. The holder may make sales any time during the year and large holders make more sales than small lenders. These transactions are submitted throughout the year via electronic media to the Department. The average time it takes the holder to create the submission is 4 minutes depending on the number of loan transactions submitted. Loan purchases totaled 5 transaction for Fiscal Year 2011 (5 transactions x 4 minutes = .33 hours).

#### Basis for Hour Costs:

Total hour costs are approximately \$741. It takes approximately 2 hours for holders to complete the Application, 13 hours to complete the borrower loan status update electronic submission, and .33 hours to complete the loan purchase/ consolidation electronic submission at a cost of \$31 per hour (15.33 hours x \$31 per hour = \$475).

It takes a total of 5 hours for borrowers to complete the Deferment Request (HRSA Form 508). It is estimated that the cost to the borrower is \$31 per hour (5 hours x \$31 per hour = \$155). The authorizing officials must verify the status of the borrower; this is estimated to take a total of 3 hours at a cost of \$37 per hour. (3 hours x \$37 per hour = \$111).

The total cost burden to respondents is:

Application (HRSA 504)	\$	62
Borrower Deferment Request, HRSA Form 508:		
(Borrowers)		155
(Authorizing Officials)		111
Borrower Loan Status electronic submission		403
Loan Purchase/consolidation electronic submission		<u>10</u>
	\$	741

### 13. Estimate of Annualized Cost Burden to Respondents

There are no capital and start-up costs to the respondents because the program is not new. All equipment and software are maintained by the lender for their normal business practice.

### 14. Estimates of Annualized Cost to the Government

The cost to the Government is estimated at \$ 2,480. This covers reviewing the Holder's Application, copying the servicers tapes where appropriate, and coding and entering the information into the HEAL database system, and returning data acceptance information. There are occasions where follow-up between the Government and the holder/servicer is needed, such as for approval of applications and the resolution of questions coming from reviews of holder's/servicers' submissions. Based on program experience, this involves 80 hours x \$31 per hour = \$2,480.

### 15. Change in Burden

There are 35 burden hours in the OMB Inventory for 0915-0034. We are requesting a new total of 23.3 hours which is a **decrease of 11.7 hours** due to the continued shrinking of the loan portfolio through paying off of loans as they reach their maturity dates.

Lender Application: The number of lenders and holders participating in the HEAL program have increased from 13 to 15 secondary market holders whose loans are serviced by 5 servicers. Program participation now is limited entirely to the purchase/sale of loans to HEAL secondary market holders. The burden hours are 2.

Borrower Loan Status Update electronic submission: Only active holders are required to report loan disbursement actions. Legislative authority for making new HEAL loans or consolidating existing HEAL loans expired as of September 30, 1998 and September 30, 2004, respectively. There are 5 servicers who service the loans of 15 holders submitting borrower loan status update electronic submissions to the Department. The result is a decrease of 5 burden hours (from 18 to 13).

Loan Purchase/Consolidation electronic submission: At the time of the 2003 approval, the HEAL program had authority to consolidate HEAL loans through a HEAL approved lender. Beginning with the 2005 fiscal year that authority lapsed and no new consolidations were permitted. Loan purchase between lenders is still permitted. The result is an increase of .27 burden hours (from .06

to .33).

Borrower Deferment Request: The decrease in burden hours for both borrowers and authorizing officials is the result of a marked decrease in the number of borrowers who are in school (0) or deferment (28) that would possibly request deferment. Since the 2008 approval request, the decreases for borrowers were 5 hours (from 10 to 5). This resulted in corresponding decrease of 2 hours for authorizing officials (from 5 to 3).

**16. Time Schedules, Publication and Analysis Plans**

The material sent to the Department will be analyzed to assure that holders are able to meet the requirements of the program and that the holders are monitoring loans adequately in order to protect the Government's financial interest in the program.

**17. Exception for Display on Expiration Date**

No exemption is requested.

**18. Certifications**

This information collection fully complies with the guidelines set forth in 5 CFR 1320.9.