

# Supporting Statement A

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

### OMB Control No. 0915-0043

#### A. Justification

##### 1. Circumstances of Information Collection

This is a request for an extension of OMB approval of information collection requirements associated with the forms of the Health Education Assistance Loan (HEAL) Program, currently approved under OMB No. 0915-0043, which expires February 28, 2013. The HEAL forms and collection burden for which approval is requested are listed below:

- HEAL Repayment Schedule, Fixed and Variable (Form No. HRSA 502-1 and 2, which is required under section 705 of the Public Health Service (PHS) Act (42 USC 292d), and the HEAL regulations (42 CFR 60.34(b)(1) and (2)). The repayment schedule, prepared by the lender, provides the borrower with the cost of a HEAL loan, the number and amount of payments, and the Truth-in-Lending disclosures.
- Lender's Report on HEAL Student Loans Outstanding, Call Report (Form No. HRSA 512), which is authorized under section 715 of the PHS Act (42 USC 292n), and the HEAL regulations (42 CFR 60.42(b)). The Call Report, prepared quarterly by lenders, provides information on the status of loans outstanding by the number of borrowers whose loan payments are in various stages of the loan cycle, such as student education and repayment, and the corresponding dollar amounts.

The HEAL program, governed by sections 701-720 of the PHS Act (42 USC 292-292o), provided federally insured loans to students in schools of allopathic medicine, osteopathic medicine, dentistry, veterinary medicine, optometry, podiatric medicine, pharmacy, public health, allied 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 borrowers' death, disability, bankruptcy, and default. The basic purpose of the program was to assure the availability of funds for loans to eligible students who need to borrow money to pay for their educational costs.

The loans were not directly subsidized by the Federal Government. Rather, the Secretary of Health and Human Services insures each lender for the losses it may incur in the event that a borrower dies, becomes totally and permanently disabled, files bankruptcy, or defaults on the loan. The Student Loan Insurance Account (SLIA), consisting of three different accounts, is maintained by the Federal Government to cover the costs of such losses. The three accounts

were established from insurance premiums lenders charged borrowers (range from 6% to 8%), from risk-based premiums charged to schools (range from 5% to 10% on each disbursement), earnings from investment of the premiums, collections from defaulted borrowers, and the appropriation fund.

Clearance of this information collection is necessary to provide borrowers with information on the cost of their loan(s) including Truth in Lending information and to provide the Department with information to monitor the financial status of the HEAL program and to identify which lenders may have excessive delinquencies and defaulted loans.

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

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

The following information collections are essential for reporting and retaining information for sound and responsible program management.

### **HRSA 502-1 and 502-2, HEAL Repayment Schedule (Variable and Fixed)**

The lender provides the borrower with the repayment schedule. It is used to establish for both the borrower and the lender the number and amount of payments, when these payments are due and the total amount financed. The schedule also provides information concerning late charges and prepayment. The Repayment Schedule provides the disclosures required by the Truth-in-Lending Act and Regulation Z. It indicates how many promissory notes are included in the payment amount and provides an itemized listing of the amounts paid to lenders on behalf of the borrower on the repayment schedule.

The Repayment Schedule is essential to the orderly repayment of loans. Without the Repayment Schedule, the borrower would not know when to make payments or how much to pay. It would also be difficult for lenders to monitor repayment by borrowers. Failure to monitor repayment accurately would jeopardize the program, as it would mean that there would be little reliable information available to determine the adequacy of the Student Loan Insurance Account (SLIA).

## **HRSA 512, Lender's Report on HEAL Student Loans Outstanding (Call Report)**

The Call Report provides the Department and the Office of Management and Budget with detailed information from lenders/holders regarding the status of their outstanding HEAL loans. The Department uses this information to monitor the financial status of the HEAL program and to identify trends and emerging patterns regarding repayment and default.

The information submitted provides a comprehensive and detailed description of several specific aspects of lender/holder activity, such as: 1) the total HEAL student loans currently outstanding; 2) the number of borrowers and the corresponding dollar amount; 3) the number of borrowers and dollars of those in repayment status whose accounts are current and those whose accounts are past due; 4) the number of borrowers in forbearance and their corresponding dollar amounts; and 5) the number of loans for each respondent. It is essential to know the total amount of principal and interest for which the Department has guarantee responsibility. Recommendations for any changes in program legislation, regulations, or policy are developed after analyzing the data submitted on this form.

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

The lenders are permitted to store records (e.g., date school disburses loan to student, repayment date, number and amount of payments, payment due dates and names of borrowers in forbearance, date of grace period, or deferment) in computer format. The Agency automated the Quarterly Lender Report on HEAL Loans Outstanding (Call Report) in FY 1990.

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

There is no duplication of information.

### **5. Impact on Small Businesses or Other Small Entities**

This information does not involve small businesses or other small entities.

### **6. Consequences of Collecting the Information Less Frequently**

The consequences to the Federal Government if the collection were conducted less frequently are as follows:

HRSA 502-1, 502-2, HEAL Repayment Schedule (Variable and Fixed) - Without the repayment schedule, the borrower would not know the amounts and due dates of payments. In addition, it would be difficult for lenders to keep an accurate accounting of the repayment status of borrowers or assure that loans were repaid within the statutory time limits.

HRSA 512, Lender's Report on HEAL Student Loans Outstanding (Call Report) - Without the data collected on the Call Report, the Department and the Office of Management and Budget

would not know the value of the HEAL loans (principal and interest) for which it has guarantee responsibility on a quarterly basis.

**7. Consistency With the Guidelines in 5 CFR 1320.(d)(2)**

The repayment period for a HEAL loan normally exceeds 3 years and can extend to 33 years. A lender must retain the records required for each loan for not fewer than 5 years following the date the loan is repaid in full by the borrower (i.e., application, promissory note, deferment forms and repayment schedule). This is consistent with requirements under other student loan programs administered by the Agency.

**8. Consultation Outside the Agency**

The notice required by 5 CFR 1320.8(d) was published in the Federal Register on September 14, 2012 (Vol.77, No.179, p.56844). No comments were received.

In July 2012, the HEAL program staff contacted representatives of two HEAL servicers, who service at least 90 percent of HEAL loans outstanding, to review and comment on the clarity of the forms and the burden hours required to complete them. The burden estimates to complete a particular form are unchanged and there were no unresolved issues. The following contacts were consulted:

1. Ms. Kathryn Noone  
Director, Guarantor Compliance  
Sallie Mae Servicing Corporation  
220 Lasley Avenue  
Hanover Industrial Estates  
Wilkes-Barre, PA 18706  
(570) 821-4578
  
2. Ms. Patricia Walton  
Supervisor, Servicing  
Pennsylvania Higher Education  
Assistance Agency (PHEAA)  
12 North Seventh Street  
Harrisburg, PA 17102  
(717) 720-3218

**9. Remuneration of Respondents**

None.

**10. Assurance of Confidentiality Provided to Respondents**

The Privacy Act of 1974 (5 USC 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, consolidation application, and the repayment schedule. Disclosure of the applicant's Social Security Number is mandatory for participation in the HEAL program, as provided for by Section 4 of the Debt Collection Act of 1982 (26 USC 6103 note), and the borrower is advised of this requirement. 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 (09-15-0044) was established for the HEAL program and the system still exists.

**11. Justification for Sensitive Questions**

The HEAL regulations require that sensitive information (e.g., borrower's Social Security Number, extent of indebtedness) be submitted on the forms listed in item 1 above. Authority for requesting the Social Security Number is contained in Section 4 of the Debt Collection Act of 1982 (26 USC 6103 note). Additionally, information concerning a student's financial obligations and level of indebtedness is required for the purpose of HEAL program administration.

**12. Estimates of Annualized Hour and Cost Burden**

The following is a breakdown of the disclosure and reporting burden associated with the information collections for the forms (numbers are rounded).

### DISCLOSURE

Form and Number	Number of Respondents	Average Response Per Respondent	Number of Responses	Hour Burden Per Response	Total Hour Burden	Wage Rate	Total Hour Cost
Repayment Schedule HRSA-502 1,2	7	50	350	0.50	175	\$40	\$7,000
<b>Total</b>	<b>7</b>	<b>50</b>	<b>350</b>	<b>0.5</b>	<b>175</b>	<b>\$40</b>	<b>\$7,000</b>

### REPORTING

Form and Number	Number of Respondents	Average Response Per Respondent	Number of Responses	Hour Burden Per Response	Total Hour Burden	Wage Rate	Total Hour Cost
Call Report HRSA-512	15	4	60	0.75	45	\$40	\$1,800
<b>Total</b>	<b>15</b>	<b>4</b>	<b>60</b>	<b>0.75</b>	<b>45</b>	<b>40</b>	<b>1,800</b>

### TOTAL REPORTING AND DISCLOSURE BURDEN

Form and Number	Total Number of Respondents	Total Annual Responses	Total Burden Hours	Total Wage Rate	Total Burden Cost
Repayment Schedule HRSA-502 1,2	7	350	175	\$40	\$7,000
Call Report HRSA-512	15	60	45	\$40	\$1,800
<b>Total</b>	<b>22</b>	<b>410</b>	<b>220</b>	<b>\$80</b>	<b>\$8,800</b>

#### **Basis for Estimates:**

The time estimates in the above tables are based on the contacts to the lenders listed in item 8 in 2011 to obtain improved estimates of burden. There are 15 lenders of loans and 7 loan servicers. The estimates are based on the following:

Repayment Schedule (HRSA 502-1 and 2): Nearly all HEAL borrowers are in repayment and fewer borrowers are changing from different statuses to repayment. The majority of HEAL borrowers are already in repayment and paying their loans, and have no need for new repayment schedules. The only time a new repayment schedule would be issued to a borrower who is already in repayment is if that borrower decided to change their status to deferred or forbearance. There were 15 lenders issuing HEAL repayment schedules in the HEAL program in FY 2011, and an estimated 350 loans that will go into repayment annually. **(350 loans x .5 hours = 175 disclosure burden hours)**

Call Report (HRSA-512): The Call Report is submitted quarterly by lenders. (15 lenders x 4 reports x .75 hours = **45 reporting burden hours**) The report was automated in 1990.

#### **Basis for Hour Costs:**

The *total estimated cost to the public* is **\$8,800** ( $\$7,000 + \$1,800 = \$8,800$ ). The hourly rate for the staff person responsible for executing the kinds of activities described below is approximately \$40.

HEAL Repayment Schedule (Variable and Fixed) - The estimated cost to respondents is **\$7,000** to execute the form with the borrower ( $175 \text{ hours} \times \$40 = \$7,000$ ).

Call Report - The cost to respondents is **\$1,800** for the lender to prepare the call report ( $45 \text{ hours} \times \$40 = \$1,800$ ).

#### **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. Annualized Cost to Federal Government**

The cost to the Federal Government is estimated at **\$1,400** for the forms contained in this clearance package for the clearance period requested. The Call Report requires that the appropriate information from the form be entered into the HEAL computer system for each lender. At 4 times a year, this averages approximately  $35 \text{ hours} \times \$40 \text{ per hour} = \$1,400$ .

<b>HEAL Call Report</b>						
Entering data into HOPS computer system and reviewing information						
			\$1,400			
Total			\$1,400			

**15. Explanation for Program Changes or Adjustments**

There are 1,623 burden hours in the Inventory for 0915-0043. We are requesting a **decrease of 1,403 hours** (1,623 -220) due to adjustments.

Repayment Schedule: The decrease in the number of accounts requiring repayment schedules from 3,168 loans to 350 decreases the total burden for the repayment schedules from 1,584 hours to 175 hours (**-1,409 hours**). This decrease is due to nearly all HEAL borrowers are in repayment and less borrowers changing from different statuses to repayment. The majority of HEAL borrowers are already in repayment and paying their loans, and have no need for new repayment schedules. The only time a new repayment schedule would be issued to a borrower who is already in repayment is if that borrower decided to change their status to deferred or forbearance.

Quarterly Call Report: There was an increase in the number of HEAL lenders from 13 to 15 during 2011, resulting in an increase of burden hours. The increase in the number of call reports from 52 reports to 60 increases the total burden from 39 hours to 45 hours (**+6 hours**).

**16. Plans for Tabulation, Publication, and Project Time Schedule**

There will be no statistical analysis of data or publication of information resulting from this effort for the Repayment Schedule forms. The data submitted on the Call Report is used to prepare reports to Congress, the Office of Management and Budget, and the Department regarding the current financial status and the present and anticipated default rates of the HEAL program.

**17. Reason(s) Display of OMB Expiration Date is Inappropriate**

None

**18. Exceptions to Certification for Paperwork Reduction Act Submissions**

There are no exceptions to the certification.



