

Health Education Assistance Loan (HEAL) Program:
Lender's Application for Insurance Claim Form and
Request for Collection Assistance Form
Health Resources and Services Administration
SUPPORTING STATEMENT

A. Justification

1. Circumstances of Information Collection

This is a request for an **extension without change** of OMB approval of two forms used by the Health Resources and Services Administration (HRSA), the Lender's Application for Insurance Claim on a Health Education Assistance Loan (HEAL) and Request for Collection Assistance under the HEAL Program. The two forms are currently approved under OMB Control No. 0915-0036, and have a current expiration date of September 30, 2008. The forms are authorized by the HEAL program, governed by sections 701-720 of the PHS Act, as amended by the Health Professions Education Amendments of 1992 (P.L. 102-408) and the Health Professions Education Partnerships Act of 1998 (P.L. 105-392) and in the regulations under § 60.35 (a) (2) for Form 513, and § 60.40 (a) for Form 510. **There are no changes to the forms; the total burden hours are decreasing as the existing loans are gradually paid off and no new loans are made.**

The Act provides for federally insured loans to students in schools of allopathic medicine, osteopathic medicine, dentistry, veterinary medicine, optometry, podiatry, pharmacy, public health, chiropractic and graduate students in health administration or clinical psychology. 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 desired to borrow money to pay for their educational costs.

Students of medicine, osteopathic medicine, dentistry, veterinary medicine, optometry, and podiatry were eligible to borrow up to \$20,000 for each academic year, up to a total principal amount of \$80,000. Pharmacy, public health, chiropractic, health administration, and clinical psychology students were eligible to borrow up to \$12,500 for each academic year, up to a total principal amount of \$50,000. Terms of repayment were established in a written schedule that was made a part of the borrower's original loan agreement. Authorization for the HEAL program expired in 1995 and no new loans were made after 1998. Borrowers, however, have up to 33 years to repay the loan, and the Federal Government has the responsibility for managing repayment.

The information collected on both forms is necessary to protect the financial interests of the Federal Government (current guaranteed loan liability amount is approximately \$1.1 billion, including principal and interest), and to assure proper program administration by the 17 lenders/holders.

2. Purpose and Use of Information

Lender's Application for Insurance Claim Form HRSA-510:

The Agency insures loans made by the lending institutions against default, death, disability, and bankruptcy. This form (HRSA-510) represents the official request by the institution for payment of a claim by the Federal Government and their certification that all requirements have been met. When a lending institution files a claim with the Agency for payment of an insured loan, the lending institution is required to report the reason for the claim, certain information about the claim, and the amount of the claim.

This form is used to obtain information about the claim and to determine if the lending institution has complied with statutory and regulatory requirements for payment of the insurance claim. Failure to submit the required documentation or not filing the form promptly may result in a claim being penalized or denied.

No changes were made to the content of this form.

Request for Collection Assistance Form HRSA-513:

In the event that a borrower becomes delinquent on loan payments, the lender must follow certain procedures outlined in the program regulations at 42 CFR 60.35. The lender must follow a specified sequence of mail and telephone/in-person contacts with the borrower, and must record each attempt to contact each actual borrower or endorser. If the lender is unable to locate either the borrower or the endorser, skip-tracing activities, also defined in the regulations, must be initiated and documented. When a borrower is 90 days delinquent, the lender must immediately request pre-claims assistance from the Public Health Service. Pre-claims assistance consists of three progressively stronger letters urging the borrower to contact his or her lender before litigation is initiated against the borrower. The Secretary does not pay a default claim if the lender fails to request pre-claims assistance. The Form HRSA-513 is filed with the Secretary to request pre-claims assistance.

This form provides the Agency with the name and address of the borrower, the last school attended, and the nearest relative or guardian, the current status of the loan, including the original principal, the unpaid principal and interest, interest rate, number of payments made to date, the amount due per month, and the number of payments delinquent. The form is completed by the lenders and submitted to the Department after the lenders have implemented the due diligence procedures required by HEAL program regulations. As required by the regulations, the lenders also send a document (usually a computer printout) describing all attempts to contact, all contacts and all skip-tracing attempts.

The pre-claims assistance activity is administered and monitored by the HEAL Program, however, the pre-claims assistance is provided by the Department's Program Support Center (PSC), Debt Management Branch, which provides monthly reports on numbers of lenders submitting pre-claims assistance actions submitted either by tape or the form.

No changes were made to the content of this form.

3. Use of Improved Information Technology

Electronic transfer of information for the outstanding HEAL loans is currently done by 92% of respondents for the form HRSA 513. The HRSA 510 form is available electronically but requires an original signature page from the Lender's authorizing official to certify that the information provided is correct under the HEAL regulations and policy guidelines.

4. Efforts to Identify Duplication

These forms are the only sources available for all of the information needed to officially file a claim for payment of an insured loan.

5. Involvement of Small Entities

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

6. Consequences If Information Collected Less Frequently

Submission of the pre-claims assistance form to the Department is required by regulation when the borrower is 90-days delinquent in making a payment. The secretary does not pay a default claim if the lender fails to request pre-claims assistance within the specified time. Similarly, the insurance claim will not be honored if it is not submitted in a timely fashion, as required by regulation.

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

This information collection fully complies with the guidelines in 5 CFR 1320.5 (d) (2).

8. Consultation Outside the Agency

The 60-Day Federal Register notice required by 5 CFR 1320.8 (d) was published in the *Federal Register* on April 10, 2008 (67 FR 10922). No comments were received.

During the month of March 2008, the following individuals were contacted by the program staff to verify the burden associated with HRSA forms 510 and 513. Based on program experience and comments from the lenders, it will take lenders approximately 30 minutes (.50 hours) to collect the information and complete the HRSA-510 form and to send it along with the computerized report of actions taken. Completion of the HRSA-513 form takes approximately 10 minutes (.167 hours) to collect information.

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9. Remuneration of Respondents

Respondents will not be remunerated.

10. Assurance of Confidentiality

The Right to Financial Privacy Act (RFPA), Public Law 95-630, regulates any financial institution that provides a Federal agency with access to information contained in the financial records of a customer. The RFPA applies to all financial institutions that are lenders in the HEAL Program because these lenders disclose identifiable information from customer records to the HHS or provide the HHS access to customer financial records. The RFPA requires that when a Federal agency involved in a loan program seeks information from a customer's financial records, it must certify to the financial institution that the Federal agency is complying with the applicable provisions of the RFPA. All lenders who have contracted with the Agency to participate in the HEAL Program have been notified concerning the provisions of the Act. 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 note), and the borrower is advised of this requirement at the time he/she applies for the HEAL loan. Safeguards are followed concerning the use of the SSN in the Privacy Act of 1974 (5 U.S.C. 552a note). A Privacy Act system of records, # 09-15-0044, has been established for the HEAL Program with the title, "HRSA Loan Repayment/Debt Management Records System, HHS/HRSA/OA."

11. Questions of a sensitive nature

Both the lender’s application for claim insurance and the pre-claims assistance form include data that are sensitive in nature; both include the borrower’s SSN and the lender’s application includes detailed information about the extent of a borrower’s indebtedness and the loan amount due. The regulations require that this information be submitted to ensure that the correct amount is paid to the lender and that the default is correctly assigned to the borrower.

Authority for the SSN request is contained in section 4 of the Debt Collection Act of 1982 (26 U.S.C. 6103 note).

12. Estimates of Annualized Hour Burden

The estimated average hour burden and hour costs are as follows:

Form	No. of Respondents	Responses per Respondent	Total Annual Responses	Hours per Response	Total Hour Burden	Dollar Wage Rate	Total Hour Cost
HRSA-510	17	25	425	0.5	213.00	\$20	\$4,260.00
HRSA-513	17	550	9,350	0.167	1,561.00	\$20	\$31,220.00
TOTAL	17		9,775		1,774.00		\$35,480.00

Basis for Burden:

There are currently 17 lenders/holders in the HEAL Program. The number of responses for HRSA-510 is based on the number of Lender’s Application for Insurance Claim forms filed in 2007. The number of responses for the HRSA-513 is based on the number of pre-claims assistance requests received during the 2007. Based on program experience and comments from the lenders, it will take lenders approximately 30 minutes (.50 hours) to collect the information and complete the HRSA-510 form. Lenders also report that it takes an average of 10 minutes (.167 hours) to complete the HRSA-513 form and to send it along with the computerized report of actions taken.

The respondents’ cost is \$35,480. This figure is determined by multiplying the number of hours respondents spend on reporting (1,774hours) by \$20.00. This amount (\$20.00) is an average wage rate for the staff person who will complete the forms. (1,774 burden hours x \$20.00/per hour = \$35,480)

13. Estimates of Annualized Cost Burden to Respondents:

There are no capital and start-up costs because this activity is not new. The following lists the operating and maintenance costs incurred by the lenders:

HRSA-510: For approximately 425 responses a year, it will cost the holder/servicers approximately \$5.00 per claim for photocopying the claim folder to retain for their records since the original material must be submitted to the United States Government and \$2.00 per claim for

mailing the form and supporting the documentation. (425 x \$5.00 per claim = \$2,125 for photocopying; 425 x \$2.00 per claim = \$850 for mailing/postage)

Photocopying	\$2,125
Mailing/postage costs	<u>850</u>
HRSA-510 Total Cost:	\$2,975

HRSA-513: The majority of respondents (92%) submit the information on this form electronically. For those respondents that choose to submit the information via hardcopy (approximately 8%), it costs the holder/servicer approximately \$.05 each in paper supplies and \$.05 each in mailing costs since a number of forms are mailed at a time. (748 x \$.10 per manual pre-claims submission = \$74.80)

Pre-claims assistance costs:

8% manual pre-claims submission	=	\$ 74.80
TOTAL OPERATING AND MAINTENANCE COSTS		\$3,049.80

14. Estimates of Annualized Cost to the Government:

The cost to the Federal Government is as follows:

For reviewing the information, a GS-12, making \$38.00 an hour, takes approximately one hour to review a claim package x 425 annual claims = \$16,150

TOTAL COSTS TO THE FEDERAL GOVERNMENT \$16,150

15. Change in Burden

There currently are 3,767 burden hours approved in the OMB Inventory for 0915-0036. We are requesting approval for 1,771 hours, which is 1,996 hours less than the last submission. This decrease in the number of responses and total burden hours is a **program adjustment**, reflecting a predicted decrease in the number of responses per respondent since the last clearance request.

16. Time Schedule, Publication and Analysis Plan

There are no plans to conduct any analyses or publish on the HRSA-513 information; it is a due diligence activity based on cycles of delinquent payments used for possible litigation and not analysis. There are no projected outcomes because of the unpredictable actions taken by borrowers in repayment. The pre-litigation activities do not present indicators of future claims.

17. Exception for Display of Expiration Date

The expiration date will be displayed.

18. Certifications

This information collection fully complies with the guidelines in 5 CFR 1320.9. The certifications are included in the package.