

Department of Health and Human Services

Public Health Service

Health Resources and Services Administration
Bureau of Health Professions
Rockville, MD 20857

April 5, 1994

To : Schools and Lenders Participating in the Health Education Assistance Loan (HEAL) Program

**Subject : Fiscal Year (FY) 1995 HEAL Insurance Authority
Allocations by Lender and Discipline (Assuming a \$375 million appropriation)
Lender policy Memorandum L-94- 11
School Policy Memorandum 5-94-10**

Purpose

The purpose of this memorandum is to notify the HEAL community which lenders will receive an FY 1995 HEAL insurance authority allocation. This allocation will be distributed on October 1, 1994.

Background

During FY 1994 the Division of Student Assistance (DSA) conducted three technical assistance workshops. Two major issues surfaced regarding the HEAL allocation process: (1) Early notification of insurance authority and; (2) Greater "choice" of lenders for borrowers and schools. On December 3, 1993, the HEAL Program held a meeting with various school, lender, and association representatives to further discuss these issues and other concerns regarding the allocation of HEAL insurance authority.

Approach

On January 15, 1994, DSA solicited comments from the attendees of the December 3 meeting in a detailed memorandum regarding the FY 1995 allocation methodology. Those comments were due by January 31. The proposed methodology included ranking lenders on cost-to-the-borrower (based on the cost of a \$10,000 loan over the life of the loan period) and constructing "bands" of lenders having costs within a range of \$600. The fair share insurance authority for each discipline will be allocated among bands until it is exhausted. The lenders in these bands will become "qualifying lenders." We will grant the full discipline allocation request for the lowest cost bands, provided those requests do not exceed the fair share for each discipline. The final band of qualifying lenders will receive proportionate insurance allocations based on their requests.

A consensus was reached to disclose the results of the allocation methodology by approximately March 31, 1994.

Outcome

Lenders submitted their FY 1995 insurance allocation requests to the HEAL Program on March 15. Tables 1 and 2 display lender requests and rank the lenders according to the cost-to-the borrower. The \$600 bands are also depicted. Allopathic and Osteopathic Medicine allocations were determined using the costs reflected in Table 1. The remaining discipline allocations are based on the costs reflected in Table 2. Table 3 displays the initial FY 1995 allocation for each lender by discipline. Approximately seventy-five percent of the allocation will be made on October 1. The remainder will be issued on an as-needed basis considering qualifying lender demand.

Thank you for participating in the development of the FY 1995 allocation methodology. Our combined efforts have resulted in lower cost loans for the borrower, while at the same time giving borrowers a greater choice of lenders. If you have any questions regarding this policy memorandum please contact the HEAL Branch at (301) 443-1540.

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Stephen J. Boehlert
Chief, HEAL Branch
Division of Student Assistance

Attachments

FY 1995 FALL LENDER TERMS SORTED BY MEDICAL COST

Lenders receiving an allocation

Lender Name	In School		Deferment		Grace		Repayment	Request MS	Medical Cost	Band
	Interest	Compounding	Interest	Compounding	Interest	Compounding	Interest			
Rhode Is	0.00	No interest	3.00	No-Int Yr. 1	3.00	AT-END	3.00	0.395	\$21,756	1
Vermont	1.75	None	1.75	None	1.75	AT-END	1.75	3.068	23,864	2
Bank One	2.10	None	2.10	None	2.10	AT-END	2.10	375.000	25,195	3
Kirksville	2.20	None	2.20	None	2.20	AT-END	2.20	65.000	25,584	3
Ohio Pod	2.20	None	2.20	None	2.20	AT-END	2.20	357.700	25,584	3
Chase	2.20	None	2.20	None	2.20	AT-END	2.20	345.000	25,584	3

Lenders without an allocation

Lender Name	In School		Deferment		Grace		Repayment	Request MS	Medical Cost	Band
	Interest	Compounding	Interest	Compounding	Interest	Compounding	Interest			
First Union	2.40	None	2.40	None	2.40	AT-END	2.40	5.000	26,375	4
PHEAA	1.95	None	1.95	None	1.95	AT-END	2.70	86.917	26,486	4
Home State	2.50	None	2.50	None	2.50	AT-END	2.50	5.410	26,776	4
First Fed KC	2.25	None	2.25	None	2.25	AT-END	2.65	5.050	26,799	4
Household	2.20	Annual	2.20	Annual	2.20	AT-END	2.20	215.660	27,080	5
National City	2.40	Annual	2.40	Annual	2.40	AT-END	2.20	335.800	27,482	5
Fleet/Bac	2.40	Annual	2.40	Annual	2.40	AT-END	2.20	176.600	27,482	5
Key Bank	2.20	None	2.20	None	2.20	AT-END	3.00	286.500	27,631	5
Dartmouth	2.38 **	Annual	2.38 **	Annual	2.38 **	AT-END	2.38	1.375	27,904	6
Texas	3.00 ***	Annual	3.00	None	3.00	AT-END	3.00	2.358	10,716	7
Maximum	3.00	Annual	3.00	Annual	3.00	AT-END	3.00		31,015	7
Total Requests MS								\$2,284.833		

*The HEAL maximum rate if lower than $7\frac{1}{2}\%$ for fixed rate loans.

**Fixed rate

*** The real maximum rate if lower than 8% for fixed rate loans.

Medical Cost = \$10,000 loan 4 year school, 3 year deferment, 9 month grace, 25 year repayment, 3.125% T-Bill, Annual Compounding.

HEAL Fiscal Year (FY) 1995 Allocation Based On a \$375M Appropriation*

Date: March 22, 1994

	Rhode Island	Vermont	Bank One	Kirksville	Ohio Pod	Chase	Initial Allocation	HHS Withhold approx. 25%	Fair Share
Discipline									
Allopathic	\$0	\$3,068,000	\$36,258,000	\$0	\$36,258,000	\$36,258,000	\$111,842,000	\$36,258,000	\$148,100,000
Osteopathy	\$121,600	\$0	\$12,326,309	\$12,228,091	\$12,326,309	\$12,228,091	\$49,230,400	\$16,369,600	\$65,600,000
Dentistry	\$130,440	\$0	\$18,167,390	\$0	\$18,167,390	\$18,167,390	\$54,632,610	\$18,167,390	\$72,800,000
Podiatry	\$0	\$0	\$7,775,000	\$0	\$7,775,000	\$7,775,000	\$23,325,000	\$7,775,000	\$31,100,000
Chiropractic	\$0	\$0	\$10,687,500	\$0	\$10,687,500	\$0	\$21,375,000	\$7,125,000	\$28,500,000
Optometry	\$52,176	\$0	\$2,886,956	\$0	\$2,886,956	\$2,886,956	\$8,713,044	\$2,886,956	\$11,600,000
Pharmacy	\$0	\$0	\$3,800,000	\$0	\$0	\$0	\$3,800,000	**	\$3,800,000
Veterinary	\$91,200	\$0	\$1,992,366	\$0	\$0	\$1,914,234	\$3,997,800	\$1,302,200	\$5,300,000
Public Health	\$0	\$0	\$400,000	\$0	\$0	\$0	\$400,000	**	\$400,000
Clinical Psychology	\$0	\$0	\$7,500,000	\$0	\$0	\$0	\$7,500,000	**	\$7,500,000
Health Administration	\$0	\$0	\$300,000	\$0	\$0	\$0	\$300,000	**	\$300,000
Total	\$395,416	\$3,068,000	\$102,093,521	\$12,228,091	\$88,101,155	\$79,229,671	\$285,115,854	\$89,884,146	\$375,000,000

- Subject to final Congressional appropriation
- Since there is only one qualifying lender, 25% of the allocation will not be withheld.