



MAR 24 1995

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

Subject: Fiscal Year (FY) 1996 HEAL Insurance Authority Allocations by Lender and Discipline (Assuming a \$280 million appropriation)
Lender Policy Memorandum L-95-8
School Policy Memorandum S-95-9

Purpose

The purpose of this memorandum is to notify the HEAL community which lenders will receive an FY 1996 HEAL insurance authority allocation. The allocation will be distributed on October 1, 1995 at the level Congress appropriates. We have assumed a level of \$280 million for this notification.

Background

The Division of Student Assistance (DSA) took great strides to satisfy our customers by changing the FY 1995 HEAL allocation process so that (1) early notification of insurance authority would be made to schools, lenders, and borrowers and (2) a greater "choice" of lenders would be available to borrowers and schools.

In FY 1996, DSA will make an additional alteration to the allocation process. DSA will change the allocation process to synchronize insurance availability at a given lender with the academic year of most schools (i.e., July 1 through June 30).

Approach

The methodology used to allocate the FY 1996 insurance authority included ranking lenders on a cost-to-the-borrower basis (a \$10,000 loan over the life of the loan period) and by constructing cost "bands" by lender (ranging from \$0 to \$650). The "fair share" insurance authority (minus a 25 percent reserve) for each discipline was allocated among the cost bands until the amount was exhausted. The lenders in the final cost band received an insurance authority allocation proportionate to their requests. Lender requests were limited to the maximum discipline fair share for nine months.

For FY 1996, contracts will cover nine months from October 1, 1995 through June 30, 1996. Therefore, DSA will allocate 75 percent of the insurance authority

for the entire fiscal year. The remaining 25 percent, of the FY 1996 insurance authority, will be set aside for lenders that receive contracts for "FY 1996/1997" (July 1, 1996 through June 30, 1997). FY 1996/1997 contracts will straddle two fiscal years and lenders will receive insurance authority from parts of both fiscal years. This one-time adjustment to the contract period is being made to align with a school's typical academic year. FY 1996/1997 contracts will cover a full 12 month period.

Outcome

Lenders submitted their FY 1996 insurance authority requests to the HEAL Program on March 17, 1995. Tables 1 and 2 display the lenders' requests and rank lenders according to the "cost-to-the-borrower". The \$0 to \$650 cost bands are also depicted. Allopathic and osteopathic medicine allocations were determined using the costs reflected in Table 1. The remaining discipline allocations were based on the costs reflected in Table 2. Table 3 displays the initial FY 1996 allocation for each lender by discipline for the period October 1, 1995 through June 30, 1996. As was done last year, 25 percent of the allocation is being withheld by the Department for reserve. Requests for this reserve amount must be documented by HEAL applications on-hand. Once this reserve is depleted, insurance authority will be reclaimed from other lenders and be redistributed based on demand. In the event all the demand for academic year 1995-1996 is not met by the initial 75 percent allocation (which includes the initial allocation plus the 25 percent being withheld), the Department may tap the 25 percent set aside for FY 1996/1997 in an effort to meet demand for loans during the current, as opposed to a future, academic year.

Thank you for participating in the FY 1996 HEAL Insurance Authority Allocation process. We have achieved unprecedented lower cost loans for the borrower and have provided borrowers and schools with a broad range of lenders from which to choose.

If you have any questions regarding this policy memorandum, please contact the HEAL Branch at (301) 443-1540.

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

Attachments

Table 3

HEAL FY 1996 INSURANCE AUTHORITY ALLOCATION
 BASED ON \$210 MILLION*
 (OCTOBER 1, 1995 - JUNE 30, 1996)

Account	Ohio Pod	Chase	Mellon Bank	Kirksville	Star	Bank One	PHEAA	Household	Allocation	HHS Withhold approx. 25%	Fair Share
10,000	\$11,608,403	\$11,608,403	\$11,608,403	\$0	\$11,608,403	\$11,608,403	\$3,307,985	\$0	\$64,350,000	\$20,450,000	\$84,800,000
\$0	\$4,609,481	\$4,609,481	\$4,609,481	\$4,609,481	\$4,609,481	\$4,609,481	\$804,117	\$0	\$28,613,000	\$9,487,000	\$38,100,000
\$0	\$6,921,218	\$6,921,218	\$6,921,218	\$0	\$3,321,121	\$6,921,218	\$1,040,175	\$6,921,218	\$39,110,871	\$12,989,129	\$52,100,000
\$0	\$2,558,986	\$2,558,986	\$2,558,986	\$0	\$0	\$2,558,986	\$555,070	\$2,558,986	\$13,349,999	\$4,450,001	\$17,800,000
\$0	\$0	\$525,000	\$525,000	\$0	\$0	\$525,000	\$0	\$0	\$1,575,000	\$525,000	\$2,100,000
\$0	\$905,911	\$905,911	\$905,911	\$0	\$905,911	\$905,911	\$70,512	\$905,911	\$5,564,675	\$1,835,325	\$7,400,000
\$0	\$184,638	\$184,638	\$184,638	\$0	\$184,638	\$184,638	\$17,170	\$184,638	\$1,124,998	\$375,002	\$1,500,000
\$0	\$325,209	\$325,209	\$325,209	\$0	\$325,209	\$325,209	\$162,996	\$325,209	\$2,195,250	\$704,750	\$2,900,000
\$0	\$0	\$164,484	\$107,463	\$0	\$0	\$164,484	\$13,569	\$0	\$450,000	\$150,000	\$600,000
\$0	\$0	\$456,427	\$456,427	\$0	\$0	\$456,427	\$49,293	\$456,427	\$1,875,000	\$625,000	\$2,500,000
\$0	\$37,083	\$37,083	\$37,083	\$0	\$0	\$37,083	\$1,868	\$0	\$150,000	\$50,000	\$200,000
10,000	\$27,150,929	\$28,296,839	\$28,239,818	\$4,609,481	\$20,954,762	\$28,296,839	\$6,022,556	\$11,352,389	\$158,358,793	\$51,641,207	\$210,000,000

for FY 1996, 25 percent set-aside (\$70 million) to fund loans disbursed July 1, 1996 through September 30, 1996
 HHS.

o rounding.

Table 1

**FY 1996 HEAL LENDER TERMS
SORTED BY MEDICAL COST**

MARCH 24, 1995

LENDERS RECEIVING AN ALLOCATION

LENDER NAME	IN-SCHOOL		DEFERMENT		GRACE		REPAYMENT	REQUEST	MEDICAL	
	INTEREST T-Bill plus	COMPOUNDING	INTEREST T-Bill plus	COMPOUNDING	INTEREST T-Bill plus	COMPOUNDING	INTEREST		COST	BAND
RHODE IS *	0.00	NO INTEREST	3.00	NO-INT YR 1	3.00	AT-END	3.00	\$152,000	\$29,803	1
VERMONT	1.75	NONE	1.75	NONE	1.75	AT-END	1.75	3,000,000	33,868	2
OHIO POD	1.75	NONE	1.75	NONE	1.75	AT-END	1.85	122,900,000	34,170	3
CHASE	1.85	NONE	1.85	NONE	1.85	AT-END	1.85	163,800,000	34,340	3
MELLON BANK	2.70	NONE	1.70	NONE	1.70	AT-END	1.70	158,187,000	34,497	3
KIRKSVILLE	1.90	NONE	1.90	NONE	1.90	AT-END	1.90	38,100,000	34,578	3
STAR	1.59	BIENNIAL	1.59	BIENNIAL	1.59	AT-END	1.59	122,900,000	34,615	3
BANK ONE	1.95	NONE	1.95	NONE	1.95	AT-END	1.95	122,900,000	34,816	3
PHEAA	1.95	NONE	1.95	NONE	1.95	AT-END	1.95	30,811,500	34,816	3

LENDERS WITHOUT AN ALLOCATION

HOUSEHOLD	1.98	NONE	1.98	NONE	1.98	AT-END	1.98	50,700,000	34,960	4
DARTMOUTH	0.75	ANNUAL	0.75	ANNUAL	0.75	AT-END	1.85	1,383,750	35,011	4
FLEET/BAC	2.00	NONE	2.00	NONE	2.00	AT-END	2.00	113,100,000	35,056	4
KEY BANK	2.40	NONE	2.40	NONE	2.40	AT-END	2.10	163,800,000	36,058	5
SIGNET	2.10	AT-END	2.10	ANNUAL	2.10	AT-END	2.10	15,000,000	38,403	5
MAXIMUM	3.00	ANNUAL	3.00	ANNUAL	3.00	AT-END	3.00		45,487	
TOTAL REQUESTS								\$1,106,734,250		

* The borrower pays no interest while in school and during first year of deferment.

MEDICAL COST = \$10,000 LOAN, 4YR SCHOOL, 3YR DEFERMENT, 9 MO. GRACE, 25 YR REPAYMENT, 5.5% T-BILL.

Table 2

MARCH 24, 1995

FY 1996 HEAL LENDER TERMS SORTED BY OTHER COST

LENDERS RECEIVING AN ALLOCATION

LENDER NAME	IN-SCHOOL		GRACE		REPAYMENT	REQUEST	OTHER COST	BAND
	INTEREST T-Bill plus	COMPOUNDING	INTEREST T-Bill plus	COMPOUNDING	INTEREST T-Bill plus			
RHODE ISLAND	0.00 *	NO INTEREST	3.00	AT-END	3.00	\$283,182	\$25,697	1
STAR	1.59	BIENNIAL	1.59	AT-END	1.59	36,800,000	29,349	2
OHIO POD	1.75	NONE	1.75	AT-END	1.85	83,700,000	29,412	2
CHASE	1.85	NONE	1.85	AT-END	1.85	116,200,000	29,516	2
MELLON BANK	2.70	NONE	1.70	AT-END	1.70	121,813,000	29,834	2
BANK ONE	1.95	NONE	1.95	AT-END	1.95	87,100,000	29,883	2
PHEAA	1.95	NONE	1.95	AT-END	1.95	14,188,500	29,883	2
HOUSEHOLD	1.98	NONE	1.98	AT-END	1.98	112,300,000	29,994	2

LENDERS WITHOUT AN ALLOCATION

KEY BANK	2.40	NONE	2.40	AT-END	2.10	69,400,000	30,758	3
FLEET/BAC	2.50	NONE	2.50	AT-END	3.00	30,000,000	31,953	4
MAXIMUM	3.00	ANNUAL	3.00	AT-END	3.00		35,612	
TOTAL REQUESTS						\$671,784,682		

* The borrower pays no interest while in school.

OTHER COST = \$10,000 LOAN, 4YR SCHOOL, 9 MO. GRACE, 25 YR REPAYMENT, 5.5% T-BILL.

**HEALTH EDUCATION ASSISTANCE LOAN
FY 1996 GUARANTEE AUTHORITY BY LENDER**

<u>LENDER</u>	<u>PRIORITY LENDING DISCIPLINE</u>	<u>AMOUNT</u>	<u>GEOGRAPHIC REGION</u>	<u>INTEREST RATES AND COMPOUNDING</u>
Bank One, Indianapolis, N. A. c/o SLMA Loan Servicing Center 5100 W. Lemon Street, Suite 250 Tampa, FL 33609 Phone: Bank One 1-800-288-6150	Allopathy: Osteopathy: Dentistry: Podiatry: Chiropractic: Veterinary: Public Health: Clinical Psych: Health Admin: Optometry: Pharmacy:	11.6M 4.6M 6.9M 2.6M .5M .3M .2M .5M .04M .9M .2M	All	In School = 1.95% + T-Bill Compounding - None In Deferment = 1.95% + T-Bill Compounding - None In Grace = 1.95% + T-Bill Compounding - At End In Repayment = 1.95% + T-Bill
Chase Manhattan Bank, N.A. c/o Education Finance Ctr, Inc 5100 Lemon Street, Suite 200 Tampa, FL 33609 Phone: 1-800-228-7605	Allopathy: Osteopathy: Dentistry: Podiatry: Chiropractic: Veterinary: Public Health: Clinical Psych: Health Admin: Optometry: Pharmacy:	11.6M 4.6M 6.9M 2.6M .5M .3M .2M .5M .04M .9M .2M	All	In School = 1.85% + T-Bill Compounding - None In Deferment = 1.85% + T-Bill Compounding - None In Grace = 1.85% + T-Bill Compounding - At End In Repayment = 1.85% + T-Bill
Household Bank, f.s.b. c/o PHEAA Loan Servicing Center P.O. Box 8176 Harrisburg, PA 17105-8176 Phone: 1-800-233-0542	Dentistry: Podiatry: Optometry: Pharmacy: Veterinary: Clinical Psych:	6.9M 2.6M .9M .2M .3M .5M	All	In School = 1.98% + T-Bill Compounding - None In Deferment = 1.98% + T-Bill Compounding - None In Grace + 1.98% + T-Bill Compounding - At End In Repayment = 1.98% + T-Bill
Kirksville College of Ost. Med. 800 West Jefferson Street Kirksville, MO 63501 Phone: 1-800-626-5266 x2028 1-800-428-3376 x2028	Osteopathy:	4.6M	All students attending osteopathic schools	In School = 1.90% + T-Bill Compounding - None In Deferment = 1.90% + T-Bill Compounding - None In Grace = 1.90% + T-Bill Compounding - At End In Repayment = 1.90% + T-Bill

<u>LENDER</u>	<u>PRIORITY LENDING DISCIPLINE</u>		<u>GEOGRAPHIC REGION</u>	<u>INTEREST RATES AND COMPOUNDING</u>
Mellon Bank c/o PHEAA Loan Servicing Center P.O. Box 8176 Harrisburg, PA 17105-8176 Phone: 1-800-421-4817	Allopathy: Osteopathy: Dentistry: Podiatry: Chiropractic: Veterinary: Public Health: Clinical Psych: Health Admin: Optometry: Pharmacy:	11.6M 4.6M 6.9M 2.6M .5M .3M .1M .5M .04M .9M .2M	All	In School = 2.70% + T-Bill Compounding - None In Deferment = 1.70% + T-Bill Compounding - None In Grace = 1.70% + T-Bill Compounding - At End In Repayment = 1.70% + T-Bill
Ohio College of Podiatric Med. MEDFUNDS 10515 Carnegie Avenue Cleveland, OH 44106 Phone: 1-800-665-1016	Allopathy: Osteopathy: Dentistry: Podiatry: Optometry: Veterinary: Pharmacy: Health Admin:	11.6M 4.6M 6.9M 2.6M .9M .3M .2M .04M	All	In School = 1.75% + T-Bill Compounding - None In Deferment = 1.75% + T-Bill Compounding - None In Grace = 1.75% + T-Bill Compounding - At End In Repayment = 1.85% + T-Bill
Pennsylvania Higher Education Assistance Agency P.O. Box 8176 Harrisburg, PA 17105-8176 Phone: 1-800-360-6941	Allopathy: Osteopathy: Dentistry: Podiatry: Optometry: Pharmacy: Veterinary: Public Health: Clinical Psych: Health Admin:	3.3M .8M 1.0M .6M .1M .02M .2M .01M .05M .001M	PA residents attending any school in country and all students attending PA schools	In School = 1.95% + T-Bill Compounding - None In Deferment = 1.95% + T-Bill Compounding - None In Grace = 1.95% + T-Bill Compounding - At End In Repayment = 1.95% + T-Bill
Rhode Island Higher Education Authority 560 Jefferson Blvd. Warwick, RI 02886 Phone: 1-800-922-9855 (401) 736-1100	Osteopathy: Dentistry: Optometry: Veterinary:	.2M .1M .06M .08M	Rhode Island residents only	In School = 0% + T-Bill Compounding - None (subsidized interest) In Deferment = 3.00% + T-Bill Compounding - None (subsidized interest for first year, borrower pays 0% interest for the first year) In Grace = 3.00% + T-Bill Compounding - At End In Repayment = 3.00% + T-Bill

<u>LENDER</u>	<u>PRIORITY LENDING DISCIPLINE</u>		<u>GEOGRAPHIC REGION</u>	<u>INTEREST RATES AND COMPOUNDING</u>
Star Bank, N.A. (trustee for Brazos Student Finance Corp.) c/o Education Funding Services 13100 Worldgate Drive, Suite 130 Herndon, VA 22070 Phone: 1-800-252-2041 (EFS) 1-800-722-8189 (PHEAA)	Allopathy: Osteopathy: Dentistry: Optometry: Pharmacy: Veterinary:	11.6M 4.6M 3.3M .9M .2M .3M	All	In School = 1.59% + T-Bill Compounding - Biennial In Deferment = 1.59% + T-Bill Compounding - Biennial In Grace = 1.59% + T-Bill Compounding - At End In Repayment = 1.59% + T-Bill
=====				
Vermont Student Assistance Corporation Champlain Mill P.O. Box 2000 Winooski, VT 05404-2601 Phone: (802) 654-3741	Allopathy:	3.0M	Univ. of Vermont only	In School = 1.75% + T-Bill Compounding - None In Deferment = 1.75% + T-Bill Compounding - None In Grace = 1.75% + T-Bill Compounding - At End In Repayment = 1.75% + T-Bill