

## SUPPORTING STATEMENT

### Federal Consolidation Loan Application and Promissory Note Documents

OMB No. 1845-0036

#### A. Justification

##### 1. Necessity of Information Collected

The Federal Family Education Loan (FFEL) Program is authorized under Title IV, Part B, of the Higher Education Act of 1965, as amended (the HEA). Section 428C of the HEA [20 U.S.C. 1078-3] authorizes the Federal Consolidation Loan Program, which allows eligible borrowers to consolidate certain federal education loans into a Federal Consolidation Loan. The regulations governing Federal Consolidation Loans are in 34 CFR Part 682.

In order to obtain a Federal Consolidation Loan, a borrower must submit a completed application and promissory note to an eligible lender. The application and promissory note is the means by which the borrower applies for a loan, promises to repay the loan, and authorizes the holder of the loan to provide required loan information to third parties.

The U.S. Department of Education (the Department) is requesting a revision of the currently approved collection. The Department has revised the Federal Consolidation Loan Application and Promissory Note (Application and Promissory Note) to reflect changes to the terms and conditions of Federal Consolidation Loans that were made by the Higher Education Reconciliation Act of 2005 (the HERA) and the Emergency Supplemental Appropriations Act of 2006 (elimination of joint consolidation loans; limitations on the eligibility of a borrower to consolidate an existing consolidation loan; elimination of the single-holder rule). Additional changes have also been made for greater consistency with language used on other FFEL Program forms, and to simplify or clarify language.

##### 2. Purpose and Use of the Information Collected

The collection of information on the Application and Promissory Note is necessary in order for lenders to make Federal Consolidation Loans to eligible borrowers. Without this collection of information, borrowers would not be able to obtain the benefits offered by Federal Consolidation Loans.

This collection includes the following documents:

*Application and Promissory Note/Additional Loan Listing Sheet*

The Application and Promissory Note collects information about the loans that the borrower wants to consolidate and other information that is needed by the consolidating lender to process the borrower's Federal Consolidation Loan application. The Application and Promissory Note also provides the borrower with information about the

terms and conditions of Federal Consolidation Loans, and serves as the borrower's legally binding agreement to repay the loan.

Note that there are two versions of the Application and Promissory Note: the Standard version and the Custom version. The Standard version includes information in Section E (and in the instructions for Section E) on the repayment plans that must be offered to a borrower under the FFEL Program regulations. The Custom version has blank space in Section E (and in the corresponding instructions) where a lender may include information on any customized repayment plans offered by the lender, in addition to the information on the mandatory repayment plan options that must be provided to the borrower. The two versions of the Application and Promissory Note are otherwise identical.

The Additional Loan Listing Sheet is a continuation page for the Application and Promissory Note that provides space for borrowers to list additional loans that are to be consolidated, if there is insufficient space on the Application and Promissory Note to list all loans. Depending on the lender, the Additional Loan Listing Sheet may be included with the Application and Promissory Note, or may be provided upon request if a borrower needs more space to list the loans that he or she wishes to consolidate.

#### *Request to Add Loans*

The Request to Add Loans may be used by a borrower to add additional loans to a Federal Consolidation Loan after the Application and Promissory Note has been submitted, or up to 180 days after the Federal Consolidation Loan has been made. The Request to Add Loans may be included with the Application and Promissory Note, or may be provided separately upon request, depending on the lender.

#### *Loan Verification Certificate*

A Loan Verification Certificate is sent to each holder of the loans that a borrower wants to consolidate. The information provided by a loan holder on the Loan Verification certificate is used by the consolidating lender to confirm that a borrower's loans are eligible for consolidation, and to verify the current payoff amount of each loan.

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

Since July 2001, FFEL lenders have been authorized to process Applications and Promissory Notes that have been completed and signed electronically. Some FFEL Program lenders have chosen to offer and encourage this method of processing Federal Consolidation Loans, while others have preferred to continue with a paper process. Both the borrower and the lender must agree to use the electronic option.

It is up to individual FFEL Program lenders to choose whether or not to offer borrowers the option of submitting an electronic Application and Promissory Note, and there is no requirement for lenders to report to the Department the percentage of Applications and Promissory Notes that are completed electronically. However, the Department believes it is reasonable to assume that the percentage of Federal Consolidation Loan Applications

and Promissory Notes that are completed electronically is comparable to the percentage of applications that are completed electronically for consolidation loans made through the William D. Ford Federal Direct Loan (Direct Loan) Program. Approximately 84% of applicants for Direct Loan Program consolidation loans complete the application and promissory note electronically.

Applicants for Federal Consolidation Loans may also make use of information technology by accessing their loan information in the Department's National Student Loan Data System (NSLDS) and using that information to complete the section of the application and promissory note that ask for information about the loans to be consolidated.

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

A thorough review of procedures indicates that current requirements are minimal and avoid duplication.

#### **5. Burden Minimization as Applied to Small Business**

No small businesses are impacted by this collection.

#### **6. Consequences of Less Frequent Data Collection**

The Application and Promissory Note (including the Additional Loan Listing Sheet, if needed) will only be completed by a borrower one time for each Federal Consolidation Loan. The Loan Verification Certificate will be completed one time by a loan holder or servicer for the loan(s) that a borrower wishes to consolidate. The consequence of collecting this information less frequently would be that a Federal Consolidation Loan could not be made.

The Request to Add Loans will be completed by a borrower only when the borrower wants to request that one or more eligible loans not included on the original Application and Promissory Note be added to the borrower's Federal Consolidation Loan, either after the Application and Promissory Note has been submitted, or within 180 days of the date the Federal Consolidation Loan is made. The consequence of collecting this data less frequently would be that a borrower could not add loans to a Federal Consolidation Loan as authorized in regulations.

#### **7. Special Circumstances Governing Data Collection**

The collection of this information will be conducted in a manner that is consistent with the guidelines in 5 CFR 1320.6.

#### **8. Consultations Outside the Agency**

In revising the forms included in this collection, the Department has formally requested and considered input from representatives of organizations involved in administering the

FFEL Program. In response to a request for public comments that was published in the Federal Register on August 16, 2006 (71 FR 47193), the Department received comments from two parties, the National Council of Higher Education Loan Programs (NCHELP) and Texas Guaranteed (TG). NCHELP submitted 69 recommendations for changes to the draft forms that were posted for the initial 60-day public comment period. TG noted that it participated in the development of the comments that were submitted by NCHELP and supports NCHELP's recommendations.

The Department has accepted the majority of the recommendations made by NCHELP, sometimes with slight modifications. The revised forms that have been posted for review reflect the changes that have been made based on the comments received during the 60-day public comment period. The Department has also made several other minor changes on the forms, mostly for the purpose of simplifying or clarifying language.

The Department has included with this submission a document that contains all of the comments received from NCHELP and the Department's response to each comment. Since TG did not make any recommendations that were not included in NCHELP's comments, the Department is not responding separately to the comments from TG.

A separate document included with this submission lists the additional changes made by the Department, along with the reason for each change.

## **9. Payments or Gifts to Respondents**

No payments or gifts will be provided to the respondents.

## **10. Assurance of Confidentiality**

The Application and Promissory Note and Request to Add Loans include a Privacy Act Notice that (1) informs the respondent of the statutory authority for the information collection; (2) explains that disclosure of the requested information is voluntary, but is required in order for the Federal Consolidation Loan application to be processed; and (3) identifies the third parties to whom the information may be disclosed, and explains the circumstances under which such disclosures may occur.

## **11. Questions of a Sensitive Nature**

The Application and Promissory Note documents do not request any sensitive information.

## **12. Annual Hour Burden for Respondents/Recordkeepers**

The total estimated annual reporting hour burden for this collection is approximately 1,046,925 hours. This represents the total of the burden estimates for the Application and Promissory Note (including the Additional Loan Listing Sheet), the Request to Add Loans, and the Loan Verification Certificate. The burden hour estimate for each document was calculated as follows:

### Application and Promissory Note/Additional Loan Listing Sheet

Respondents:	981,000
Responses:	x 1
Hours per response:	x 1.0 (60 minutes)
Annual reporting burden:	<hr/> 981,000 hours

### Request to Add Loans

Respondents:	49,050
Responses:	x 1
Hours per response:	x 0.16666 (10 minutes)
Annual reporting burden:	<hr/> 8,175 hours

### Loan Verification Certificate \*

Respondents:	7,000
Responses:	x 55
Hours per response:	x 0.15 (9 minutes)
Annual reporting burden:	<hr/> 57,750 hours

\* NOTE: Each consolidation loan application averages three different loan holders/servicers. This means that an average of three Loan Verification Certificates will be generated for each Federal Consolidation Loan ( $3 \times 981,000 = 2,943,000$ ).

There are approximately 7,000 loan holders/servicers. However, the number of loans held is not evenly distributed. The top five loan holders/servicers hold 65% of all loans. This means that 5 respondents would provide a total of 1,912,950 responses ( $2,943,000 \times 0.65 = 1,912,950$ ), with each of the top five loan holders/servicers providing 382,570 responses ( $1,912,950 \div 5 = 382,570$ ).

The remaining 6,995 loan holders/servicers would provide 1,030,050 total responses ( $2,943,000 \times 0.35 = 1,030,050$ ), with each respondent providing approximately 147 responses ( $1,030,050 \div 6,995 = 147$ ).

The average response burden is approximately 55 responses per loan holder/servicer ( $382,750 + 147 = 382,717$ ;  $382,717 \div 7,000 = 54.67$ ).

The total estimated cost burden for this collection is \$382,590.00. This estimate was calculated by multiplying the estimated number of respondents (981,000) by the current cost of postage required to return the Application and Promissory Note (\$0.39). Although the estimate assumes that the postage cost applies to all respondents, note that many applicants complete the Application and Promissory Note electronically and incur no postage costs. They may, however, incur minimal costs imposed by Internet providers for Internet access. The Department expects that in most cases, any Internet access fees charged to borrowers for the time required to complete an Application and Promissory Note electronically would be less than the cost of postage.

### **13. Annual Cost Burden to Respondents**

There are no startup costs to respondents.

### **14. Estimated Annual Cost to the Federal Government**

There is no cost to the federal government associated with this collection. The printing, distribution, and processing of the Application and Promissory Note documents is handled by FFEL Program lenders.

### **15. Reason for Changes to Burden Hour Estimate**

The Department is reporting an upward adjustment of 783,925 hours. The increase is attributable to the use of a more accurate method of estimating the number of respondents than the method used to estimate the burden hours in the previous submission for this collection.

### **16. Collection of Information with Published Results**

The results of this collection of information will not be published.

### **17. Approval Not to Display Expiration Date**

The Department is not seeking this approval.

### **18. Exceptions to the Certification Statement**

The Department is not requesting any exceptions to the “Certification for Paperwork Reduction Act Submissions” of OMB Form 83-1.

## **B. Collection of Information Employing Statistical Methods**

This collection of information will not employ any statistical methods.