

**Supporting Statement**  
**Information Collection for the William D. Ford Federal Direct Loan Program**  
**Federal Direct PLUS Loan Application and Master Promissory Note**  
**Endorser Addendum to Federal Direct PLUS Loan Application and Master**  
**Promissory Note**

**A. Justification**

**1. Necessity of Information Collection**

Section 455(i) of the Higher Education Act of 1965, as amended (the HEA) requires the U.S. Department of Education (ED) to develop, print, and distribute a standard promissory note to schools that participate in the William D. Ford Federal Direct Loan (Direct Loan) Program. Under 34 CFR 685.201(b), a parent or a graduate or professional student who wishes to borrow a Federal Direct PLUS (Direct PLUS) Loan must complete an application and promissory note. The Direct PLUS Loan Application and Master Promissory Note (MPN) was developed in accordance with §432(m)(1)(D) of the HEA, which requires ED to develop and use master promissory notes for loans made under the Federal Family Education Loan (FFEL) and Direct Loan programs. A master promissory note is a promissory note under which a borrower may receive loans for a single academic year or multiple academic years (see 34 CFR 685.102(b)). A master promissory note has been used for Direct PLUS Loans since the 2003-2004 program year.

Under §428B(a)(1)(A) of the HEA, one of the eligibility requirements to receive a Direct PLUS Loan is that a parent or a graduate or professional student borrower must not have an adverse credit history, as determined by regulations issued by ED. The Direct Loan Program regulations allow a parent or a graduate or professional student who has an adverse credit history to receive a Direct PLUS Loan if the individual obtains an endorser who does not have an adverse credit history (34 CFR 685.200(b)(5) and 34 CFR 685.200(c)(1)(vii)(A)(2)). The Endorser Addendum to the MPN is the means by which an endorser agrees to repay a Direct PLUS Loan if the borrower does not repay the loan. If an applicant for a Direct PLUS Loan is determined to have an adverse credit history and obtains an endorser, only one loan can be made under the MPN. To obtain a subsequent Direct PLUS Loan, the borrower must complete a new MPN.

ED is requesting a revision of the currently approved collection. ED is revising the Direct PLUS Loan MPN and the Endorser Addendum to reflect changes to the terms and conditions of Direct PLUS Loans that were made by the Higher Education Reconciliation Act of 2005 (the HERA), Public Law 109-171. The changes made by the HERA that affect Direct PLUS Loans include the following:

- Extension of eligibility for Direct PLUS Loans to graduate and professional students.
- New repayment plan options for Direct Loan Program borrowers.
- Change from a variable interest rate to a fixed interest rate.
- New military deferment.

- New identity theft loan discharge provision.

In addition to making changes to the Direct PLUS Loan MPN and Endorser Addendum that are required by the HERA, ED is also making other changes in wording and format for clarity and greater consistency with other Direct Loan Program and FFEL Program forms.

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

ED will continue to use the information collected on the MPN and Endorser Addendum to determine the eligibility of the borrower and endorser, and to process and service Direct PLUS Loans made to parent and graduate and professional student borrowers. The MPN serves as the borrower's legally binding promise to repay all loan amounts disbursed under that MPN. The Endorser Addendum serves as the endorser's legally binding promise to repay a Direct PLUS Loan if the borrower does not repay the loan.

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

ED makes maximum use of available information technology to process the MPN and Endorser Addendum. A school may use information reported on the Free Application for Federal Student Aid (FAFSA) by a graduate or professional student borrower or by the student for whom a parent is borrowing a Direct PLUS Loan to complete portions of the MPN before the MPN is given to the borrower to sign. This reduces burden by eliminating the need for the borrower to provide the same information again. Similarly, schools electronically transmit information collected on the MPN to ED. That information is then used by ED to preprint borrower and/or student information on the Endorser Addendum if an applicant for a Direct PLUS Loan is determined to have an adverse credit history.

Since the introduction of the Direct PLUS Loan MPN, ED has offered borrowers the option of completing the MPN through an entirely electronic process, using a personal identification number (PIN) provided by ED. This process is essentially the same as the electronic MPN process that has been available to Direct Subsidized and Direct Unsubsidized loan borrowers since the 2001-2002 program year. The electronic MPN process for Direct PLUS Loans uses an HTML (hypertext markup language) version of the paper MPN and stores the HTML version as the authoritative copy of the MPN. The text and data elements on the HTML version are identical to the text and data elements on the paper MPN. Currently, approximately 50 percent of Direct Loan MPNs are completed electronically.

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

Except as explained in Item 3, above, there is no information available from other sources that can be used for the purposes described in Item 2.

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

No small businesses are affected by this information collection.

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

A borrower is required to complete an MPN in order to receive a Direct PLUS Loan. However, the MPN minimizes the frequency of data collection by allowing a borrower who has completed an initial MPN (other than a borrower with an adverse credit history who obtains an endorser) to receive subsequent loans for up to 10 years without signing another MPN, if the student for whom a parent is borrowing or the graduate or professional student borrower is attending a school that has been authorized to use the MPN as a multi-year promissory note and chooses to do so. The MPN also reduces burden for parents borrowing for students who attend schools that are not authorized to use the multi-year feature of the MPN or that choose not to do so (or for graduate or professional student borrowers attending such schools), since they may receive subsequent loans during the same academic year without having to sign a new MPN. The Endorser Addendum must be completed each time a borrower who is determined to have an adverse credit history obtains an endorser for a Direct PLUS Loan.

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

This information collection does not involve any of the conditions listed in 5 CFR 1320.5(d)(2).

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

The MPN for Direct PLUS Loans is modeled on the MPN for Direct Subsidized Loans and Direct Unsubsidized Loans, which was developed and improved by ED in consultation with schools and other members of the financial aid community. In developing the revised Direct PLUS Loan MPN and Endorser Addendum, ED also considered comments made by participants in the FFEL Program during the development of the MPN and Endorser Addendum for FFEL Program PLUS Loans.

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

No payments or gifts will be provided to respondents.

#### **10. Assurance of Confidentiality**

The MPN and Endorser Addendum each include a Privacy Act Notice that (1) provides the statutory authority for the information collection, (2) explains that disclosure of the information is voluntary, but is required for participation in the Direct Loan Program, 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 MPN and Endorser Addendum do not require respondents to provide any information that would be considered sensitive.

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

ED estimates the total annual number of respondents for this information collection to be 254,375 (an estimated 203,500 respondents for the MPN and 50,875 respondents for the Endorser Addendum). The estimated time required to complete an MPN or Endorser Addendum is 0.5 hours (30 minutes). Based on one response per respondent, this equates to a total estimated annual reporting burden of 127,188 hours.

There is an annual estimated cost to respondents of \$104,294.00, calculated by multiplying the estimated number of respondents (254,375) by the cost of postage (\$0.41) required to return the MPN or Endorser Addendum. Although this estimated cost assumes that the postage cost applies to all respondents, note that many borrowers who complete paper MPNs deliver them directly to school financial aid offices and thus do not have to pay for postage. Borrowers who complete the MPN electronically also incur no postage costs. They may, however, incur minimal costs imposed by Internet providers for Internet access. ED expects that in most cases, any Internet access fees charged to borrowers for the time required to complete an MPN electronically would be less than the cost of postage.

**13. Estimated Annual Cost Burden to Respondents/Recordkeepers**

There are no capital/startup costs to respondents, nor are there any annual costs to respondents associated with operating or maintaining systems or purchasing services.

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

The total estimated annual cost to the Federal government for this information collection is \$1,327,890.00. This includes the following:

Software development, distribution, and technical training:	\$113,315.00
Printing and distribution of the forms:	\$64,575.00
Electronic transmission/receipt of data:	\$1,150,000.00
TOTAL:	<u>\$1,327,890.00</u>

**15. Reasons for Program Changes/Adjustments Reported in Items 13 or 14 of OMB Form 83-I.**

There is an increase of 11,875 hours due to an increase in the number of respondents since the previous submission. This increase in the number of respondents is a result of the HERA, which extended eligibility for Direct PLUS Loans to graduate and professional students. Previously, only parents of dependent undergraduate students were eligible for Direct PLUS Loans.

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

The results of this information collection will not be published.

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

ED is not seeking this approval.

**18. Exceptions to the Certification Statement**

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

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

This information collection does not employ statistical methods.

