

SUPPORTING STATEMENT

Information Collections Under the Final Regulations Governing the Federal Perkins Loan Program, and the Federal Work Study Program.

A. Justification

1. Necessity of Information Collected

The Federal Perkins Loan Program (Perkins Loan) notice of proposed rulemaking regulations propose revisions to the current regulations in the areas of program administration.

These proposed regulations are a result of regulatory review of the program regulations to reduce administrative burden for program participants, provide benefits to borrowers, and protect the taxpayers' interest. This request is for approval of reporting and recordkeeping requirements contained in the attached proposed regulations related to the administrative requirements of the Perkins Loan program. The information collection requirements in these proposed regulations are necessary to determine eligibility to receive program benefits and to prevent fraud and abuse of program funds.

Perkins Loan Program: OMB control number: 1845-0019

Sections 674.8, 674.16, 674.19, 674.38, 674.45, 674.50, 674.61 contain information collection requirements and are currently approved by OMB under control number 1845-0019. We are making the following changes to those sections:

Section 674.8 and 674.50 -- Program Participation Agreement and Assignment of defaulted loans to the United States.

The proposed changes provides the Department with the authority to require assignment of Perkins loan where the outstanding principle balance is \$100 or more, the loan had been in default for seven or more years, and a payment has not been received on the loan for the past twelve months. This change would be an increase in burden for the affected institutions participating in the Federal Perkins Loan program.

Section 674.16 – Making and disbursing loans.

The proposed changes to §674.16 require schools, lenders, and guaranty agencies to report enrollment and loan status information, or any other data required by the Secretary, to the National Student Loan Data system by the deadline date established by the Secretary. The proposed changes do not represent an increase in burden because the new language simply codifies existing Departmental practice. Currently, reporting requirements are disseminated in “Data Provider Guidance” on the

Department's Information for Financial Aid Professional website.

Section 674.19 and 674.50 -- Fiscal procedures and records and Assignment of defaulted loans to the United States.

Certification of Electronic Signatures on Loan MPNs assigned to the Department – The proposed regulations would require that upon request schools would submit an affidavit or certification regarding the creation and maintenance of electronic Master Promissory Notes (MPNs) or promissory notes including the authentication and signature process. Also, the records retention requirement for affected parties would increase from the current requirement of three years after the end of the award year to seven years after all the loans on the MPN are satisfied.

Retention of Disbursement Records Supporting MPNs - The proposed regulations would require that upon request that schools retain disbursement records for each loan made to a borrower on a MPN until all the loans on the MPN are satisfied. The proposed changes would also require an institution to submit disbursement records, upon request, for each loan assigned to the Department for the enforcement of the loan.

Sections 674.38 -- Deferment procedures.

The proposed regulations would allow schools that participate in the Perkins Loan Program to grant deferments based upon information from another FFEL Loan holder or from the Department of Education instead of requiring the borrower to provide a duplicate request for deferment to multiple loan holders. As a result, burden for the borrowers and loan holders would decrease.

Section 674.45 – Collection procedures.

The proposed changes in §674.45 would limit collection costs an institution may assess against a Perkins Loan borrower to 30 percent of principal, interest, and late charges collected for first collection efforts, 40 percent for second collection efforts, and 40 percent plus court costs in cases of litigation. The changes affect institutions that participate in the Perkins Loan Program and collection agencies.

The changes do not represent a change in burden. Collection practices and procedures would not change; only the amount assessed against a defaulted borrower would change. Therefore, there is no additional burden associated with this provision.

Section 674.61 -- Loan discharge for death and disability.

Deferment of repayment--Federal Perkins loans, NDSLs and Defense loans.

The proposed regulations would allow the use of an accurate and complete copy of a borrower's death certificate, instead of only permitting the submission of the original or a certified copy of the certificate.

Sections 674.10, 674.13, 674.20, 674.31, 674.35, 674.36, and 674.37 contain information requirements and are currently approved by OMB under control number 1845-0019. We are not making changes to these sections. We are requesting continued approval of these sections.

Section 673.5 is also cleared under OMB control number 1845-0019. We are making a change to this section in a separate package under the General Provisions regulations. We are requesting continued approval of this section.

Sections 675.10, 675.16, 675.19, 675.20, 675.27, 675.34, 675.35, 675.47, 675.48, 676.16, 676.19 also contain information requirements under the General Provisions regulations and are currently approved by OMB under 1845-0019. We are not making changes to these sections. We are requesting continued approval of these sections.

2. Purpose and Use of Information Collected

Perkins Loan Program:

The information collected, recorded, and/or disclosed in §§674.8, 674.16, 674.19, 674.38, 674.45, 674.50, and 674.61 will continue to be used as necessary to provide for the making and servicing of Perkins Loans. If we did not require the collection, recordation, and/or disclosure of information as specified in these sections, the processing of Perkins Loans would not be possible.

3. Consideration of Improved Information Technology

Perkins Loan Program:

We continue to revise our regulations so that they allow institutions to maximize the use of available technology in making and servicing Perkins Loans.

4. Efforts to Identify Duplication

A thorough review of procedures indicates that current requirements are minimal and avoid duplication. This review was done in conjunction with affected parties who have a vested interest in eliminating duplication.

5. Burden Minimization as Applied to Small Business

No small businesses are impacted by this collection.

6. Consequences of Less Frequent Data Collection

Recordkeeping requirements are imposed to assure accountability of program participants for proper program administration and less frequent collection could impair accountability of program participants.

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 1320.5(d)(2).

8. Consultation Outside the Agency

These regulations were discussed at regulatory negotiated rulemaking meetings of the Department with the financial aid community over a five-month period, as detailed in the preamble to the Notice of Proposed Regulations published June, 2007.

9. Payments or Gifts to Respondents

No payments or gifts will be provided to the respondents.

10. Assurance of Confidentiality

A Privacy Act Notice is included on the Application Form and Promissory Note. In this notice, the borrower is informed of the statutory authority for collecting the information requested. Although disclosure of the information is voluntary, the borrower is informed that in order to be considered for Perkins Loan funds, the information must be provided. The information provided is used to verify the borrower's identity, to determine the borrower's eligibility to receive a Perkins Loan and benefits, to permit the servicing of the borrower's loan(s), and to locate the borrower and collect on the loan(s) if the loan(s) become delinquent or default. A listing of the persons and entities to which the information may be disclosed and for what purposes the information may be disclosed is also included.

11. Questions of Sensitive Nature

The Department is not requesting any sensitive data.

12. Annual Hour Burden for Respondents/Recordkeepers.

Section 674.8 and 674.50 – Mandatory Assignment

The proposed changes provides the Department with the authority to require assignment of Perkins loan where the outstanding principal balance is \$100 or more, the loan has been in default for seven or more years, and a payment has not been

received on the loan for the past twelve months. This change would be an increase in burden for the affected institutions participating in the Federal Perkins Loan program.

of Perkins loans in default for more than 7 years:

289,070

Amt. time to assign a
Perkins loan the ED X .33 hours (20 minutes)

Affected Entity:

INSTITUTIONS: 95,393 hours

Respondents, Responses and Burden Hours:

# of Respondents	# of Responses	# Hrs/Response	#Hrs Burden
321	289,070	.33 hrs =	95,393

Sections 674.19 and 674.50 – Certification of Electronic Signatures on Loan MPNs assigned to the Department

The proposed regulations would require that upon request schools would submit an affidavit or certification regarding the creation and maintenance of electronic Master Promissory Notes (MPNs) or promissory notes including the authentication and signature process. Also, the records retention requirement for affected parties would increase from the current requirement of three years after the end of the award year to seven years after all the loans on the MPN are satisfied.

of borrowers referred for litigation – 2006-2007:

<u>Program Type:</u>	<u># of loans</u>	X	<u>% of E-MPNs</u>	=	<u># affected by program</u>
Perkins Loan Program	28		.15		
4 FFEL Program	<u>842</u>		<u>.85</u>		<u>716</u>
Total # of Perkins Loans and FFEL Loans Referred for Litigation	870		1.00		720

Burden associated with data collection:

Providing ED with a copy of
the affidavit or certification .5 hours (30 minutes)

The burden associated with the collection of the original data and its retention, exists under the current rules. There is no increase in burden to retain these loan records until 7 years after the loans are satisfied.

Total burden increase:

# loans referred for litigation	720
amount of burden reduction	X <u>.5 hours</u> (30 minutes)
Total burden hour increase	360 hours

Affected Entity:

	# of affected loans	X burden per MPN	= increase in burden hours
INSTITUTIONS	4	.5	2

[NOTE: The remaining additional burden of 358 hours is attributable to FFEL lenders and guarantors found in OMB 1845-0020.]

Respondents, Responses and Burden Hours:

# of Respondents	# of Responses	# Hrs/Response	=	#Hrs Burden
4	4	.5	=	2

Sections 674.19 and 674.50 – Retention of Disbursement Records Supporting MPNs

The proposed regulations would require that upon request that schools retain disbursement records for each loan made to a borrower on a MPN until all the loans on the MPN are satisfied. The proposed changes would also require an institution to submit disbursement records, upon request, for each loan assigned to the Department for the enforcement of the loan.

of loans projected for 2007-2008:

<u>Program Type</u>	<u># of loans</u>	X	<u>% of E-MPNs</u>	=	<u># affected by program</u>
Perkins Loan Program 75,150	501,000		.15		

Projected # of Perkins Loans assigned:

# affected	75,150
% assigned to ED	X <u>.0005</u>
Projected # of Perkins assigned to ED w/documentation	38

Amount of time to submit:

Electronic records	.08 hours (5 minutes)
Copy and mail paper documents	+ <u>.50 hours</u> (30 minutes)
Total time per loan assigned	.58 hours

Affected Entity:

$$\begin{array}{rclcl} & \# \text{ of assignments} & \times & \text{hours of burden} & = & \text{total hours} \\ & & & & & \text{increased burden} \\ \text{INSTITUTIONS:} & 38 & & .58 & & 22 \end{array}$$

Respondents, Responses and Burden Hours:

# of Respondents	# of Responses	# Hrs/Response	=	#Hrs Burden
38	38	.58	=	22

Section 674.38 – Deferment

The proposed regulations would allow schools that participate in the Perkins Loan Program to grant deferments based upon information from another FFEL holder or from the Department of Education instead of requiring the borrower to provide a duplicate request for deferment to multiple loan holders. As a result, burden for borrowers and loan holders would decrease.

A total of 41,700 Perkins, FFEL and Direct loan borrowers were granted a non-in-school deferment in Award Year 2006 and received loans with more than one loan holder.

$$\begin{array}{l} 41,700 \text{ borrowers granted non-in-school deferment with multiple holders} \\ \underline{\times .25} \text{ hours projected amount of decreased burden per borrower} \\ 10,425 \text{ hours total number of hours of decreased burden} \end{array}$$

<u>For 2007-2008:</u>	<u># of Loans:</u>	<u>%</u>
Total projected # of Perkins Loan Program awards	501,000	.03
Total projected # of FFEL Program awards	12,483,000	.78
Total projected # of Direct Loan Program awards	<u>3,039,000</u>	<u>.19</u>
Total # of Title IV projected loans	16,023,000	1.00

Total Burden Reduction for the Perkins Loan Program:

$$\begin{array}{l} 10,425 \text{ total hours of burden reduction} \\ \underline{\times .03} \text{ percentage of all projected loans as Perkins} \\ 313 \text{ total \# of hours of decreased burden in the Perkins Loan program} \end{array}$$

Affected Entities:

The amount of burden reduction is split between borrowers and loan holders. The majority of the burden reduction is provided to the borrowers since they will not have to complete and submit additional, duplicative deferment requests.

<u>Affected Entity:</u>	<u>% of burden reduction</u>	<u>hours of burden reduction</u>	<u>=</u>	<u>total hours of reduction</u>
BORROWERS:	.9	313	=	282

LOAN HOLDERS: .1 313 _____ 31

313

Respondents, Responses and Burden Hours:

# of Respondents	# of Responses	# Hrs/Response	=	#Hrs Burden
1251	1251	.25	=	-313

Section 674.61 – Loan Discharge for Death

The proposed regulations would allow the use of an accurate and complete copy of a borrower’s death certificate, instead of only permitting the submission of the original or a certified copy of the certificate. While all respondents (survivors who submit death certificate information to obtain a Title IV loan death discharge), we estimate that 83.5% will take advantage of the provisions of this proposed regulation. Therefore, while there are 1,692 respondents and responses, 83.5% or 1,413 will potentially benefit by submitting a copy of the death certificate.

The # of death discharges for Title IV loans as of September 30, 2006 are as follows:

<u>Program Type</u>	<u># of loans</u>	<u>% by program</u>
FFEL Program	55,148	.78
Direct Loan Program	14,199	.20
Perkins Loan Program	<u>1,692</u>	<u>.02</u>
Total # of Title IV Loan Discharges for Death	71,039	1.00

Current Requirement:

Amount of time to contact the Office of Vital Statistics (or its equivalent) to obtain a certified copy of a death certificate = .25 hour (15 minutes).

Proposed Requirement:

Amount of time to copy and submit a copy of an original or certified copy of a death certificate = .17 hour (10 minutes).

	.25 hour (15 minutes)
	<u>less .17 hour (10 minutes)</u>
Burden reduction per record	.08 hour (5 minutes)

Total burden reduction:

# of death discharges	71,039
amount of burden reduction	<u>X .08 hour (5 minutes)</u>
Total burden hours reduced	5,683 hours

Total burden reduction by program:

Program type:	% of discharges by program	total hours of burden reduction	hours of reduction by
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FFEL Program	.78	5,683	program 4,433
Direct Loan Program	.20	5,683	1,137
Perkins Loan Program	.02	5,683	<u>113</u> 5,638

<u>Affected Entities:</u>	% of entities impacted	hours of reduction by program	amount of burden reduction by affected entity
PERKINS			
SURVIVOR OF BORROWER:	.6	113	68
LOAN HOLDER:	.4	113	<u>45</u> 113

Of the 1,692 Respondents and Responses, 83.5% are estimated to benefit from the proposed regulation (the other 16.5% we estimate will provide the original or certified copy of the death certificate).

Respondents, Responses and Burden Hours:

# of Respondents	# of Responses	# Hrs/Response	#Hrs Burden
1692	1692	.835* .08 =	- 113

13. Annual Cost Burden to Respondents

There is no change from the current inventory.

14. Estimated Annual Cost to the Federal Government

There are no additional costs to the Federal government as a result of the final regulations.

15. Reasons for Changes to Burden Hour Estimated

As a result of the Perkins Loan Program proposed regulations there are increases and decreases to the burden hours for the affected entities as indicated in Item 12 above. Below is a summary of the changes in burden.

	<u># of Respondents</u>	<u># of Responses</u>	<u># Hrs/Response</u>	<u>#Hrs Burden</u>
Section 674.8 and 674.50 – Mandatory Assignment	321	289,070	.33 hrs =	95,393
Sections 674.19 and 674.50 – Certification of Electronic Signatures on Loan MPNs assigned to the Department	4	4	.5 =	2

Sections 674.19 and 674.50 – Retention of Disbursement Records Supporting MPNs			
	38	38	.58 = 22
Section 674.38 – Deferment			
	1251	1251	.25 = -313
Section 674.61 – Loan Discharge for Death			
	1692	1692	.835 * .08 = - 113
Sub-total:			
	<u># of Respondents</u>	<u># of Responses</u>	<u>#Hrs</u>
			<u>Burden</u>
	3,306	292,055	94,991
Current			
Inventory:	<u># of Respondents</u>	<u># of Responses</u>	<u>#Hrs</u>
			<u>Burden</u>
	95,262	95,262	25,859
Revised			
Inventory:	<u># of Respondents</u>	<u># of Responses</u>	<u>#Hrs</u>
			<u>Burden</u>
	98,568	387,317	120,850

16. Collection of Information with Published Results

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

17. Approval to Not Display Expiration Date

ED is not seeking this approval.

18. Exception to the Certification Statement

ED is not requesting any exceptions to the "Information Collection" form Parts 1 & 2.