

SUPPORTING STATEMENT

Lender's Application for Payment of Insurance Claims ED Form 1207

1. The Department of Education (ED) is submitting for continual approval.

The legal authority for this information is contained in the Higher Education Act of 1965, as amended and CFR Part 682 Federal Family Education Loan (FFEL) Program Subpart E Federal Guaranteed Student Loan Programs.

2. The collection of this information is necessary so that ED can determine how much is to be paid to a lender for a claim which falls under one of the following categories: default, bankruptcy, death, permanent or total disability, false certification, or closed schools. The document provides ED with specific types of information that is required for claim payment validation. The ED Form 1207 is used by lenders to request payment of a claim for the Federal Insured Student Loan Program (FISL) or for the Federal Stafford, Federal Plus, Federal SLS, Federal Consolidation, or Federal Unsubsidized Programs when a guaranty agency no longer exists and ED becomes the guarantor.

ED uses the information on the ED Form 1207 to match disbursement data already on file for claim payment validation. This data is used to calculate the claim payment amount, and forms the basis to be used in the collection of defaulted loans by ED. If the information were not collected payments to lenders for FFEL and FISL claims would be delayed.

3. Information on the form is the minimum required by ED to properly process and pay a FFEL or FISL claim. The FISL program is being phased out (no loans have been made since 1984). In addition, guaranty agency functions have been transferred to ED.

ED has considered use of electronic submission of the ED Form 1207 which will reduce the burden to the community, but determined that while an electronic format could be developed, the necessary supporting loan documentation that accompanies the form is unavailable electronically.

4. The information collected on the ED Form 1207 is ED's first notification of the reason for the claim and is unavailable elsewhere in the format needed to pay a FFEL or FISL claim.
5. Collection of this information does not involve small businesses.
6. Lenders submit the ED Form 1207 only when necessary. There are time limitations for the lender to submit the claim. If the information were collected

less frequently, it would impact on ED's collection activities on defaulted loans by extending the time between default and assumption efforts by ED.

7. The collection of this information will be conducted in accordance with the guidelines in 5CFR 1320.6.
8. The collection of this information will be conducted in accordance with the guidelines in 5CFR 1320.8.
9. There are no plans to provide any payment or gift to respondents.
10. No assurance of confidentiality has been provided to respondents. The information collected here is available to the public as provided under the Privacy Act and the Freedom of Information Act.
11. There is no question of a sensitive or private nature in this information collection activity.
12. The estimated cost to respondents of the hour burden associated with the collection of information will be \$206.55. This was determined by multiplying the number of respondents (51) times the amount of time it takes to collect, complete, review, submit, and maintain the forms (.27 hrs), times an average hourly wage of \$15.00 per hour.

$$\begin{array}{r} 51 \text{ annual responses} = 51 \\ \quad \times .27 \text{ hrs.} \\ \hline 13.77 \\ \quad \times 15 \text{ per hour} \\ \hline \$206.55 \end{array}$$

The total annual burden has been determined to be approximately 13.77 hours. This was determined as follows:

Total Annual Responses	51
Hours per Responses	<u>x .15</u>
Total Burden Hours	7.65
Record keepers	51
Hours per Record keeper	<u>x .12</u>
Total Hours	6.12
Total Annual Burden Hours	13.77

13. There is no annual cost burden to respondents or record keepers resulting from the collection of information.
14. A ED contractor will process this form. It is estimated that the annual cost to the Federal Government of operating the computer system will be \$25,000.00.

15. The total annual burden has decreased by 844.23 hours due to the decrease in number of respondents due to decreased volume of rehabilitated loan claim requests.
 16. ED does not plan to publish for statistical use the results of the information to be collected. Management reports, however, will be prepared.
 17. The expiration date for OMB approval of the information collection will be displayed.
 18. The collection of information complies with the Paperwork Reduction Act.
- B. This collection of information does not employ statistical methods.