

## **SUPPORTING STATEMENT**

### **Federal Family Education Loan Program**

#### **Federal PLUS Loan Application and Master Promissory Note, Endorser Addendum, and School Certification (OMB No. 1845-0069)**

##### **A. Justification**

###### **1. Necessity of Information Collected**

The Higher Education Act of 1965, as amended (HEA) established the Federal Family Education Loan (FFEL) Program under Title IV, Part B. This legislation authorized the Federal PLUS Loan Program, under which Federal PLUS Loans are made to eligible parents of dependent undergraduate students and to graduate or professional students to help pay for the cost of a student's education after high school. The regulations governing Federal PLUS Loans are in 34 CFR Part 682.

The Federal PLUS Loan Application and Master Promissory Note (MPN) must be completed and signed by a parent or graduate or professional student borrower who wishes to obtain a Federal PLUS Loan. An MPN is a promissory note under which a borrower may receive loans for a single period of enrollment or multiple periods of enrollment (see 34 CFR 682.200(b)).

One of the eligibility requirements for receiving a Federal PLUS Loan is that the borrower must not have an adverse credit history. A borrower who is determined to have an adverse credit history may receive a Federal PLUS Loan by obtaining an endorser who does not have an adverse credit history. See 34 CFR 682.201(b)(4) and 34 CFR 682.201(c)(1)(vii). The Endorser Addendum is the means by which an endorser agrees to repay a Federal PLUS Loan if the borrower does not repay it.

Regulations at 34 CFR 682.603 require schools to provide certain information in connection with certifying the eligibility of a borrower (and, for parent borrowers, the dependent student) for a Federal PLUS Loan. The Federal PLUS Loan Information and School Certification form (considered to be part of the MPN) may be used by schools to provide this information to the lender or guarantor of the loan.

The Department of Education (ED) is requesting a revision of the currently approved MPN and associated documents. ED is revising the Federal PLUS Loan MPN and the Endorser Addendum to reflect changes to the terms and conditions of Federal 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 Federal PLUS Loans include the following:

- Extension of eligibility for Federal PLUS Loans to graduate and professional students.
- 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 Federal 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 FFEL Program forms.

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

The collection of information on the MPN is necessary in order for lenders to make Federal PLUS Loans to eligible borrowers. The MPN explains the terms and conditions of Federal PLUS Loans and serves as the borrower's legally binding promise to repay all loan amounts disbursed under the MPN. The Federal PLUS Loan Information and School Certification collects required information related to a school's certification of a borrower's eligibility for a Federal PLUS Loan (and, for parent borrowers, a dependent student's eligibility).

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

In accordance with the Electronic Signatures in Global and National Commerce Act and the Government Paperwork Elimination Act, ED has developed standards for processing promissory notes with electronic signatures. Since July 1, 2001, ED has authorized FFEL Program lenders to offer borrowers the option of completing and signing the MPN electronically.

It is up to individual FFEL Program lenders to choose whether or not to offer borrowers the option of submitting an electronic MPN, and there is no requirement for lenders to report to ED the percentage of MPNs that are completed electronically. However, ED believes it is reasonable to assume that the percentage of FFEL Program MPNs that are completed electronically is comparable to the percentage of MPNs completed electronically for loans made through ED's William D. Ford Federal Direct Loan (Direct Loan) Program. Currently, approximately 50% of Direct Loan MPNs are completed electronically.

The majority of schools that participate in the FFEL Program transmit loan certification information to the lender or guarantor of the loan electronically. The paper Federal PLUS Loan Information and School Certification form included with this submission is used only if a school does not transmit certification information electronically.

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

A thorough review of procedures indicates that current requirements are minimal and avoid duplication. There is no similar information available that can be used or modified for this purpose at this time.

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

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 Federal PLUS Loan. However, the MPN minimizes the frequency of data collection by allowing a borrower who has completed an initial MPN to receive subsequent loans for up to 10 years without

signing another MPN, if the student on whose behalf the parent is borrowing is attending a school that is authorized and chooses to make multiple loans under the MPN (or if a graduate or professional student borrower is attending such a school).

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

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

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

The revised Federal PLUS Loan MPN and associated documents were developed in consultation with representatives of guaranty agencies, lenders, institutions of higher education, and other members of the student financial aid community.

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

No payments or gifts will be provided to the respondents.

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

The MPN includes a Privacy Act Notice that (1) informs the borrower of the statutory authority for the information collection, (2) explains that disclosure of the information is voluntary, but is required in order to determine the borrower's eligibility to receive a loan, 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 does not require a borrower to provide any information that would be considered sensitive.

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

The Department estimates the total annual number of respondents for this information collection to be 1,066,915:

	<u>Form</u>	<u>Respondents</u>
MPN		837,000
Endorser Addendum		209,250
Federal PLUS Loan Information and School Certification		20,665
TOTAL		1,066,915

The estimated time required to complete an MPN or an Endorser Addendum is 1.0 hours (60 minutes). The estimated time required to complete the Federal PLUS Loan Information and School Certification form is 0.15 hours (9 minutes). Based on one response per respondent, this equates to a total estimated annual reporting burden of 1,049,350 hours.

NOTE: For the Federal PLUS Loan Information and School Certification form, the number of respondents and annual hour burden reported above are only for the paper

form included with this submission. The majority of schools that participate in the FFEL Program submit Federal PLUS Loan certifications to the lender through an electronic process. The annual hour burden for the electronic certification process is covered under OMB No. 1845-0020.

The total estimated cost burden to respondents for this collection is \$437,435.00. This estimate was calculated by multiplying the estimated number of respondents (1,066,915) by the current cost of postage required to return an MPN, Endorser Addendum, or the paper Federal PLUS Loan Information and Certification form (\$0.41). Although this estimate assumes that the postage cost applies to all respondents, note that for the MPN, many borrowers who complete paper MPNs deliver them directly to school financial aid offices and thus do not incur any postage costs. 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. Annual Cost Burden to Respondents**

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 cost to the federal government associated with this collection is minimal. The printing, distribution and processing of the MPN is handled by FFEL Program lenders.

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

There is an increase of 126,850 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 Federal PLUS Loans to graduate and professional students. Previously, only parents of dependent undergraduate students were eligible for Federal PLUS Loans.

### **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**

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 83-1.

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

This collection of information will not employ any statistical methods.