

## **SUPPORTING STATEMENT**

### **Information Collection for the Federal Family Education Loan Program William D. Ford Federal Direct Loan Program and Federal Perkins Loan Program**

**Loan Discharge Application Documents (OMB No.1845-0015):**

**Loan Discharge Application: School Closure**

**Loan Discharge Application: False Certification (Ability to Benefit)**

**Loan Discharge Application: False Certification (Disqualifying Status)**

**Loan Discharge Application: False Certification (Unauthorized Signature/Unauthorized Payment)**

#### **A. Justification**

##### **1. Necessity of Information Collection**

The Higher Education Act of 1965, as amended (HEA), established the Federal Family Education Loan (FFEL) Program, the William D. Ford Federal Direct Loan (Direct Loan) Program, and the Federal Perkins (Perkins) Loan programs under Title IV, Parts B, D, and E. Section 437(c)(1) of the HEA authorizes the discharge of a FFEL or Direct Loan program loan borrower's obligation to repay his or her loan(s) based on school closure or false certification of student eligibility. Section 464(g)(1) of the HEA authorizes the discharge of a Perkins Loan Program loan based on school closure. For the FFEL and Direct Loan programs, the regulations governing closed school and false certification loan discharges are in 34 CFR 682.402 (FFEL Program) and 34 CFR 685.212, 685.214, and 685.215 (Direct Loan Program). For the Perkins Loan Program, the regulations governing closed school discharges are in 34 CFR 674.33(g).

This collection is necessary in order for loan holders in the FFEL, Direct Loan, and Perkins Loan programs to obtain the information that is needed to determine whether a borrower qualifies for a closed school or false certification loan discharge. The loan discharge regulations in all three loan programs require borrowers who seek discharge of their FFEL, Direct Loan, or Perkins Loan program loans to request a loan discharge and provide their loan holders with certain information in writing.

This information collection includes the following four loan discharge applications that are used to obtain the information needed to determine whether a borrower qualifies for a closed school or false certification loan discharge:

1. Loan Discharge Application: School Closure

2. Loan Discharge Application: False Certification (Ability to Benefit)
3. Loan Discharge Application: False Certification (Disqualifying Status)
4. Loan Discharge Application: False Certification (Unauthorized Signature/Unauthorized Payment)

The Loan Discharge Application: School Closure is used by borrowers in the FFEL, Direct Loan, and Perkins Loan programs. The other three loan discharge applications are used by borrowers in the FFEL and Direct Loan programs (there is no provision for false certification loan discharges in the Perkins Loan Program).

The U.S. Department of Education (the Department) is requesting a revision of the currently approved collection. We are making very minor wording and format changes in all four documents for greater consistency with other loan program forms. There are no changes to any of the data elements.

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

The information collected on these forms is currently used by loan holders to determine whether a borrower qualifies for a closed school or false certification loan discharge, and it will continue to be used for that purpose.

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

The collection of information does not involve the use of technological processes such as electronic submission of responses. All of the loan discharge applications require a borrower's signature and, in some cases, additional supporting documentation. The United States Postal Service, or some other mail delivery service, provides the only currently feasible means for a borrower to return a completed loan application and any required supporting documentation to his or her loan holder. However, the Department will explore future options that might permit electronic submission of these loan discharge applications.

Although borrowers may not currently submit these loan discharge applications electronically, the Department (for Direct Loan Program loans and FFEL or Perkins Loan program loans that are held by the Department) and many FFEL Program lenders make the forms available for download on their web sites.

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

In general, there is no information available from other sources that would allow a loan holder to determine whether a borrower qualifies for a closed school or false certification loan discharge. However, in limited circumstances the Department may approve false certification discharges of Direct Loans or other loans held by the Department based on information that the Department has obtained, without requiring the borrowers to submit loan discharge applications.

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

No small businesses are affected by this information collection.

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

Without this collection of information, loan holders would not be able to determine whether a borrower qualifies for a closed school or false certification loan discharge.

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

The collection of this information will be conducted in a manner that does not involve any of the guidelines in 5 CFR 1320.5(d)(2).

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

The currently approved loan discharge applications were developed in consultation with the National Council on Higher Education Programs (NCHELP), which represents FFEL Program participants, and the Department's Direct Loan Servicing Center. In addition, the revised forms that were posted for public comment during the 60-day comment period included changes recommended by NCHELP and the Direct Loan Servicing Center.

In response to a notice published in the Federal Register on June 24, 2008 (73 FR 35672), the Department received 10 comments from NCHELP on the four forms included with this collection. The Department has accepted all but one of the recommended changes. A document containing the comments submitted by NCHELP and the Department's responses is included with this submission.

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

No payments or gifts will be provided to respondents.

## **10. Assurance of Confidentiality**

Each loan discharge application 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 Loan Discharge Application: False Certification (Disqualifying Status) requires borrowers to provide information that might be considered sensitive. Specifically, one question asks

whether there was anything related to a physical or mental condition, criminal record, or the student's age that prevented the student from meeting the legal requirements for employment in the occupation for which the program of study supported by the loan was intended to prepare the student. This question is necessary in order to establish whether a school falsely certified a borrower's eligibility based on a disqualifying status. The other three loan discharge applications included in this collection do not request any sensitive information.

**12. Annual Hour Burden for Respondents/Record keepers**

The total estimated annual reporting hour burden for this information collection is approximately 14,774 hours. This represents the total burden hour estimates for all four loan discharge applications. The burden estimate for each application was calculated as follows:

**Loan Discharge Application: School Closure**

Estimated annual number of respondents:	21,975
Number of responses per borrower:	x 1
Hours per response:	<u>x 0.5 (30 minutes)</u>
Annual hour burden:	10,989 hours

**Loan Discharge Application: False Certification (Ability to Benefit)**

Estimated annual number of respondents:	3,715
Number of responses per borrower:	x 1
Hours per response:	<u>x 0.5 (30 minutes)</u>
Annual hour burden:	1,858 hours

**Loan Discharge Application: False Certification (Disqualifying Status)**

Estimated annual number of respondents:	1,290
Number of responses per borrower:	x 1
Hours per response:	<u>x 0.5 (30 minutes)</u>
Annual hour burden:	645 hours

**Loan Discharge Application: False Certification (Unauthorized Signature/Unauthorized Payment)**

Estimated annual number of respondents:	2,563
Number of responses per borrower:	x 1
Hours per response:	<u>x 0.5 (30 minutes)</u>
Annual hour burden:	1,282 hours

The total annual estimated cost burden for this collection is \$12,704.00. This estimate was calculated by multiplying the estimated number of respondents (29,543) by the cost of postage required to return a loan discharge application (\$0.43).

### **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 Federal Government**

The cost to the federal government is minimal for cancellation requests for the FFEL and Perkins programs as the loan holders distribute the form, collect the information, and process the discharge request forms.

for the Direct Loan Program, there is an estimated annual cost to the Federal Government of \$457,030.00 for printing, mailing, and processing the applications.

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

The Department is not reporting any change to in Items 13 or 14 of OMB Form 83-I.

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

The results of this information collection 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.