

## **SUPPORTING STATEMENT**

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

#### **Federal Stafford Loan Master Promissory Note and Federal Stafford Loan School Certification (OMB No. 1845-0006)**

#### **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 Stafford Loan Program, which includes Subsidized and Unsubsidized Federal Stafford Loans. Federal Stafford Loans are made to eligible undergraduate, graduate, and professional students to help pay for the cost of education after high school. The regulations governing Federal Stafford Loans are in 34 CFR Part 682.

The Federal Stafford Loan Master Promissory Note (MPN) must be completed and signed by a student borrower who wishes to obtain a Federal Stafford Loan (see 34 CFR 682.102(a)). 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)).

Regulations at 34 CFR 682.603 require schools to provide certain information in connection with certifying a student's eligibility for a Federal Stafford Loan. The Federal Stafford Loan School Certification 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 collection. ED is proposing changes to the currently approved forms for the following purposes:

- (1) To incorporate changes to loan terms and conditions that were made by the Higher Education Reconciliation Act of 2005 (the HERA; Public Law 109-1710) and the College Cost Reduction and Access Act of 2007 (the CCRAA; Public Law 110-84); and
- (2) To make the language on these forms more consistent with the language used on other FFEL Program promissory notes.

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

The collection of information on the MPN is necessary in order for lenders to make Federal Stafford Loans to eligible student borrowers. The MPN explains the terms and conditions of Federal Stafford Loans and serves as the borrower's legally binding

promise to repay all loan amounts disbursed under the MPN. The Federal Stafford Loan School Certification collects required information related to a school's certification of a student's eligibility for a Federal Stafford Loan.

### **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 Stafford Loan 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 Stafford 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 borrower is attending a school that is authorized and chooses to make multiple loans under the MPN.

### **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 MPN was initially developed by ED in consultation with representatives of guaranty agencies, lenders, institutions of higher education, and other members of the student financial aid community. In developing the revised forms included with this submission, ED solicited recommendations from the FFEL Program community.

A notice was published in the Federal Register on December 27, 2007 inviting comments on the revised MPN and School Certification. In response to this notice, ED received 73 comments from the National Council of Higher Education Loan Programs (NCHELP). The Department accepted the majority of the changes that NCHELP recommended and has revised the MPN and School Certification accordingly. A document containing the comments submitted by NCHELP and the Department's responses to those comments is included with this submission.

## **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**

ED estimates the total annual number of respondents for this information collection to be 3,123,451, calculated as follows:

	<b>Form</b>	<b>Respondents</b>
MPN		3,048,161
School Certification (paper version only)		75,290

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TOTAL	3,123,451
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The estimated time required to complete an MPN is 0.75 hours (45 minutes). Based on one response per respondent, this equates to a total estimated annual reporting burden of 2,286,121 hours ( $3,048,161 \times 0.75 = 2,286,121$ ).

The estimated time required to complete the Federal Stafford Loan School Certification is 0.15 hours (15 minutes). Based on one response per respondent, this equates to a total estimated annual reporting burden of 11,294 hours ( $75,290 \times 0.15 = 11,294$ ).

The total estimated annual reporting burden for the MPN and the Federal Stafford Loan School Certification combined is 2,297,415 hours.

NOTE: For the Federal Stafford Loan School Certification form, the estimated number of respondents and estimated annual reporting burden shown above are only for the paper version of the form. The majority of schools that participate in the FFEL Program submit Federal Stafford 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 for this collection is \$1,280,615.00. This estimate was calculated by multiplying the total estimated number of respondents for both the MPN and the paper Federal Stafford Loan School Certification (3,123,451) by the current cost of postage required to return the MPN (\$0.41). Although this estimate assumes that the postage cost applies to all respondents, note that many borrowers who complete paper MPNs deliver them directly to the financial aid offices at their schools 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 and Federal Stafford Loan School Certification is handled by FFEL Program lenders.

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

In Item 13 of OMB Form 83-I, ED is reporting an upward adjustment of 77,880 hours due to an increase in the number of respondents since the previous submission. In addition, the burden hour estimate reported with the previous submission did not include the paper Federal Stafford Loan School Certification form.

**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.