

Supporting Statement
Information Collection for the William D. Ford Federal Direct Loan Program
Federal Direct Stafford/Ford Loan
Federal Direct Unsubsidized Stafford/Ford Loan
Master Promissory Note

A. Justification

1. Necessity of Information Collection

Section 455(i) of the Higher Education Act of 1965, as amended (the HEA) requires the U.S. Department of Education (the Department) to develop, print, and distribute a standard promissory note to schools that participate in the William D. Ford Federal Direct Loan (Direct Loan) Program. Since the 1999-2000 program year, the standard promissory note for Federal Direct Stafford/Ford (Direct Subsidized) Loans and Federal Direct Unsubsidized Stafford/Ford (Direct Unsubsidized) Loans has been the Master Promissory Note (MPN) that was developed by the Department in accordance with §432(m)(1)(D) of the HEA. The Direct Loan Program regulations require a borrower to complete an MPN before receiving a Direct Subsidized or Direct Unsubsidized loan (see 34 CFR 685.201(a)). An MPN is a promissory note under which a borrower may receive loans for a single academic year or multiple academic years (see 34 CFR 685.102(b)).

The Department is requesting a revision of the currently approved collection. The Department is revising the currently approved form to reflect changes to loan terms and conditions that were made by the Higher Education Reconciliation Act of 2005 (the HERA), the College Cost Reduction and Access Act of 2007 (the CCRAA), and final regulations that were published in the Federal Register on November 1, 2007 (72 FR 61690 and 72 FR 62014). These changes affect only the loan terms and conditions as explained on the MPN. There are no changes to any of the data elements.

The March 22, 2006 Notice of Office of Management and Budget Action approving the current MPN included the following three terms of clearance:

“Consistent with the existing terms of clearance, the agency shall do the following: (a) explore the possibility of combining the Direct Loan/FFEL promissory notes upon reauthorization of the Higher Education Act; and (b) continue working towards completion of the common school ID initiative.”

With regard to (a), despite changes made by the HERA and the CCRAA, there continue to be significant differences in some of the statutory terms and conditions of loans made under the two loan programs. Because of these differences, it would not be practical to combine the Direct Loan and FFEL program promissory notes. However, to the extent possible, the Department has attempted to make the language on Direct Loan and FFEL program promissory notes the same. The Department does not know what changes will be made to the Direct Loan and Federal Family Education Loan (FFEL) programs as a result of the reauthorization of the HEA, which has not yet occurred.

With regard to (b), the Department continues to work toward completion of the common school ID initiative as our older systems are replaced or re-engineered.

2. Purpose and Use of Information Collected

The Department will continue to use the information collected on the MPN to process and service Direct Subsidized and Direct Unsubsidized loans made to student borrowers. The MPN serves as the borrower's legally binding promise to repay all loan amounts disbursed under the MPN.

3. Consideration of Improved Information Technology

The Department makes maximum use of available information technology to process MPNs. Schools electronically receive data provided by the student on the Free Application for Federal Student Aid (FAFSA) and create loan records based on the FAFSA data and additional data provided by the school. This process allows most of the information requested in Section A of the MPN (Borrower Information) to be preprinted, thus reducing burden on borrowers.

Beginning with loans made during the 2001-2002 program year, the Department has offered borrowers the option of completing the MPN through an entirely electronic process, using a personal identification number (PIN) provided by the Department. The Department will continue to offer this option with the revised MPN. The electronic process uses an HTML (hypertext markup language) version of the paper MPN and stores the HTML version as the authoritative copy of the MPN. The text and data elements on the HTML version are identical to the text and data elements on the paper MPN.

Since the introduction of the electronic MPN option, the percentage of MPNs that are completed electronically has steadily increased. Currently, approximately 50 percent of Direct Loan MPNs are completed electronically.

4. Efforts to Identify Duplication

Except as explained in Item 3, above, there is no information available from other sources that can be used for the purposes described in Item 2.

5. Burden Minimization as Applied to Small Businesses

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 Direct Subsidized or Direct Unsubsidized 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 to make multiple loans under the MPN and chooses to do so. The MPN also reduces burden for borrowers attending schools that are not authorized to use the multi-year feature of the MPN (or that choose not to do so), since they may receive subsequent loans during the same academic year without having to sign a new MPN.

7. Special Circumstances Governing Data Collection

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

8. Consultations Outside the Agency

The Department has consulted with schools and other members of the financial aid community in developing the original MPN and improving the MPN. A notice inviting comments on the revised MPN was published in the Federal Register on January 18, 2008 (73 FR 3456). The Department received no public comments in response to this notice. However, the Department has made a few additional minor changes related to CCRAA and regulatory provisions that were inadvertently omitted from the previous draft.

9. Payments or Gifts to Respondents

No payments or gifts will be provided to 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 774,306. The estimated time required to complete an MPN is 0.5 hours (30 minutes). Based on one response per respondent, this equates to a total estimated annual reporting burden of 387,153 hours.

The total annual estimated cost burden for this collection is \$317,465.00. This estimate was calculated by multiplying the estimated number of respondents (774,306) by the cost of postage required to return the MPN (\$0.41). Although the annual cost burden estimate assumes that the postage cost applies to all borrowers, note that many borrowers who complete paper MPNs deliver them directly to their school financial aid offices and thus do not have to pay for postage. Borrowers who complete the MPN electronically also incur no postage costs. They may, however, incur minimal costs imposed by Internet providers for Internet access. The Department 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 annual 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 total estimated annual cost to the Federal government for this information collection is \$4,163,000.00. This includes the following:

Software development, distribution, and technical training:	\$360,000.00
Printing and distribution of the MPN:	\$203,000.00
Electronic transmission/receipt of data:	\$3,600,000.00
TOTAL:	<hr/> \$4,163,000.00

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

In Item 13 of OMB 83-I, the Department is reporting an upward adjustment of 25,238 hours due to an increase in the number of respondents since the previous submission.

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-I.

B. Collection of Information Employing Statistical Methods

This information collection does not employ statistical methods.