

## Supporting Statement

### Information Collection for the William D. Ford Federal Direct Loan Program

#### Repayment Plan Selection Form

OMB #1845-0014

#### A. Justification

##### 1. Necessity of Information Collected

Section 455(d) of the Higher Education Act of 1965, as amended (the HEA) requires the Secretary to offer William D. Ford Federal Direct Loan (Direct Loan) Program borrowers a choice of several plans for repaying their loans. The Direct Loan Program regulations require borrowers to notify us of their initial repayment plan selection in writing (see 34 CFR 685.210(a)(1)). Borrowers may change repayment plans after their loans enter repayment by notifying us; this notification need not be in writing (see 34 CFR 685.210(b)(1)).

The Repayment Plan Selection form serves as the means by which Direct Loan borrowers notify us of their choice of an initial repayment plan before their loans enter repayment. The form may also be used by borrowers to request a change in repayment plans after their loans have entered repayment. For borrowers who select the Income Contingent Repayment (ICR) Plan, the form collects additional information that is needed to determine the monthly payment amount. If a borrower does not select an initial repayment plan, the borrower is placed on the Standard Repayment Plan in accordance with 34 CFR 685.210(a)(2).

The U.S. Department of Education (ED) is revising the currently approved Repayment Plan Selection form to reflect changes made by the Higher Education Reconciliation Act of 2005 (the HERA), Pub. L. 109-171, to the repayment plan options that are available to Direct Loan Program borrowers. Specifically, Section 2 of the form (Repayment Plan Selection) has been revised as follows:

- The references to “Student Loans” and “Parent Loans” on the current version of the form have been eliminated. The term “Parent Loans” referred to Direct PLUS Loans and Direct PLUS Consolidation Loans. However, the HERA extended eligibility for Direct PLUS Loans to graduate and professional students, so it is no longer appropriate to refer to Direct PLUS Loans as “parent loans.” Conforming changes have been made in the instructions at the beginning of Section 2.
- The current form lists “Direct PLUS Consolidation Loan” as a separate loan type. This has been removed from the form. As a result of changes made by the HERA, there is no longer a separate “Direct PLUS Consolidation Loan” category. A Direct PLUS Loan or Federal PLUS Loan that is consolidated into a Direct Consolidation Loan becomes part of a Direct Unsubsidized Consolidation Loan. In addition, the references on the current form to “Direct Subsidized Consolidation Loan” and “Direct Unsubsidized Consolidation Loan” loan types have been replaced by a single reference to “Direct Consolidation Loans.” For the purposes of this form, it is unnecessary to distinguish between Direct Subsidized Consolidation Loans and Direct Unsubsidized Consolidation Loans.

- The Extended option in Section 2 has been revised to reflect the terms of the new Extended Repayment Plan that is available to Direct Loan Program borrowers as a result of the changes made by the HERA. Under the new Extended Repayment Plan, borrowers have a choice of making fixed or graduated payment amounts.

Except as explained above, there are no significant changes from the currently approved Repayment Plan Selection form.

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

We have used the collection of information on the currently approved Repayment Plan Selection form to obtain repayment plan selection information from Direct Loan borrowers. The collection of information on the revised Repayment Plan Selection form in this clearance package continues to be necessary and will be used for the same purpose.

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

We continue to maximize the use of available information technology in making and servicing Direct Loans. In the specific case of the Repayment Plan Selection form, borrowers may complete and submit this form electronically through our Direct Loan Servicing web site. We estimate that 6% of all borrowers who complete the Repayment Plan Selection form will do so electronically.

The only borrowers who may not complete the Repayment Plan Selection form electronically are those who select the ICR Plan and who wish to repay their loans jointly with their spouse. These borrowers must complete paper Repayment Plan Selection forms because two signatures – the borrower's and the spouse's – are required in this case.

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

There is no similar 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**

Borrowers are asked to complete the Repayment Plan Selection form only once, when they are selecting an initial repayment plan prior to entering repayment on their loans. If a borrower does not complete the Repayment Plan Selection form, the borrower is placed on the Standard Repayment Plan, in accordance with the Direct Loan Program regulations. Borrowers may optionally use the Repayment Plan Selection form to change repayment plans at a later date.

## **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**

In creating the revised Repayment Plan Selection form in this clearance package, we solicited recommendations for changes from loan servicing staff that assist Direct Loan borrowers with completing the form.

**9. Payment or Gifts to Respondents**

We will not provide any payments or gifts to respondents.

**10. Assurance of Confidentiality**

The form includes a Privacy Act Notice that (1) informs borrowers of the statutory authority for the information collection, (2) explains that disclosure of the information is voluntary, but is required in order to process repayment plan selection requests, 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**

This information collection does not include any questions of a sensitive nature.

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

The total annual hour burden for this collection is estimated to be 109,230 hours, calculated as follows:

|                                         |   |                         |
|-----------------------------------------|---|-------------------------|
| Estimated annual number of respondents: |   | 331,000                 |
| Number of responses per borrower:       | x | 1                       |
| Hours per response:                     | x | 0.33 hours (20 minutes) |
|                                         |   | <hr/>                   |
|                                         |   | 109,230 hours           |

There is an estimated annual cost to respondents of \$135,710.00, calculated by multiplying the estimated number of respondents (331,000) by the cost of postage (\$0.41) required to return the Repayment Plan Selection form. Although this estimated cost assumes that the postage cost applies to all respondents, borrowers who complete the Repayment Plan Selection form electronically 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 a Repayment Plan Selection form electronically would be less than the cost of postage.

**13. Estimated Annual Cost Burden to Respondents/Recordkeepers**

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 total estimated annual cost to the federal government for this information collection is \$718,184. This includes the following:

|                                                      |                 |
|------------------------------------------------------|-----------------|
| Printing the form:                                   | \$34,352        |
| Mailing (including envelopes) and handling the form: | \$320,000       |
| Contractor costs for processing the completed form:  | \$364,184       |
| TOTAL:                                               | <hr/> \$718,184 |

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

There a decrease of 211,200 hours due to a refinement in the method used to estimate the number of respondents. In addition, the number of borrowers completing the Repayment Plan Selection form has decreased. Many borrowers do not actively choose an initial repayment plan by completing the Repayment Plan Selection form before they enter repayment on their loans. These borrowers are placed on the Standard Repayment Plan.

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

The results of this information collection 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-I.

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

This information collection does not employ statistical methods.