

**SUPPORTING STATEMENT**  
**Information Collection**  
**Pre-Authorized Debit Account Brochure and Application**  
**OMB No. 1845-0025**

**A. Justification**

**1. Necessity of Information Collection**

The Pre-Authorized Debit Account (PDA) payment option allows borrowers with defaulted federal student loans that are held by the U.S. Department of Education's (ED's) Federal Student Aid Collections (Collections) unit to have their loan payments automatically debited from their checking or savings accounts and sent to ED. Borrowers who choose to use the PDA option to make their loan payments must authorize ED to debit their bank accounts. The PDA Brochure and Application (PDA Application) explains the PDA payment option and collects the borrower's authorization for electronic debiting of payments and the bank account information needed by ED to debit the borrower's account.

The authority for the PDA option is provided under the Deficit Reduction Act of 1984, P.L. 98-368, and 31 C.F.R. 202, Depositories and Financial Agents of the Government. Operating rules and regulation approved and published by the National Automated Clearing House Association (NACHA) and 31 C.F.R. 210 also govern the use of the PDA Application. Finally, Regulation E, issued and maintained by the Board of Governors of the Federal Reserve System, implements Title IX of the Consumer Credit Protection Act, as amended in 15 U.S.C. 1601. This regulation is designed to implement the act, which primarily serves to protect the interests of the individual consumer participating in electronic transfers.

ED is requesting a revision of the currently approved collection. We are making only minor changes to some of the contact information included in the PDA Application.

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

ED has used the collection of information on the currently approved PDA Application to establish electronic debiting for borrowers who have requested to have their student loan payments debited from their bank accounts. The PDA Application will continue to be used for this purpose.

Any borrower located in the Collections database who is in voluntary payment status may choose to have his or her loan payments made through the PDA option. Borrowers who wish to use the PDA payment option must complete the PDA Application and return it to ED with the required documentation.

**3. Consideration of Improved Information Technology**

This collection of information involves the use of automated and electronic technology in order to provide the most convenient means for a borrower to repay student loans. The benefit of this payment option is that the borrower's required payment amount is automatically debited from the borrower's checking or savings account. This reduces burden on the borrower, since the borrower does not have to write a check every month or spend money on postage. In addition the PDA option ensures that payments will always be made on time

Debited funds are electronically transmitted to the U.S. Treasury. The U.S. Department of the Treasury's Financial Management Service in Kansas City (FMS-KC) transmits data

regarding these transactions to ED and the payment information is posted to borrower accounts.

OMB's June 30, 2006 Notice of Action approving the current collection included the following terms of clearance:

“Approved for three years. Consistent with ED's plans, OMB fully expects that this form will be electronically available when the form is resubmitted for OMB approval in 2009.”

In the previous submission for this collection, ED indicated that we planned to implement a new system that would allow borrowers to submit the PDA Application electronically in the future. Although we originally expected the new system to be operational by 2009, unanticipated issues involving the contractor that was developing the system required ED to negotiate a new contract. As a result, the new system that would have allowed for electronic submissions was not implemented. ED is currently working on a new procurement to replace our current Debt Management and Collections System (DCMS) with a new system that will be more automated and interactive than the current DCMS, and that will allow for electronic submission of the PDA Application. ED estimates that the new system will be implemented in FY 2013.

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

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**

If ED did not collect the data requested in the PDA Application, we would not have the information needed to implement the PDA payment option. The PDA option provides a more convenient and less burdensome means for borrowers to make their loan payments and helps to ensure that loan payments are made on time.

Generally, a borrower is required to complete a PDA Application only one time. A borrower may be required to complete a PDA Application more than once if (1) the borrower's banking information changes or (2) the borrower was participating in the PDA option, stopped participating, and then wants to participate in the PDA option again.

#### **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 developing the current PDA Application, ED consulted with our contractor that deals directly with PDA applicants and processes the applications.

A notice announcing the initial 60-day public comment period was published in the Federal Register on April 10, 2009 (74 FR 16372). No comments were received.

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

No payments or gifts will be provided 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 determine whether the borrower is eligible for a forbearance, and (3) identifies the third parties to whom the information may be disclosed, and explains the circumstances under which such disclosures may occur. In addition, the assurance of confidentiality is stated in the Memorandum of Understanding (MOU) between ED and Treasury, and by contract between ED and its contractor.

**11. Questions of a Sensitive Nature**

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

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

The total estimated annual hour burden for this collection is 133 hours. The hour burden and cost estimates were calculated as follows:

Estimated annual number of respondents:	1,600
Number of responses per borrower:	x 1
Hours per response:	x 0.083 (5 minutes)
Annual hour burden:	133 hours

**13. Estimated Annual Cost Burden for 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 Federal Government**

The total estimated annual cost to the Federal Government \$170,000 for the collection and processing of ED’s data by FMS-KC. Estimated annualized cost is based upon the maximum support personnel needed to do the initial input processing of the preauthorized debit application information that will be submitted to FMS-KC for Electronic Funds Transfer (EFT), any computer processing and the monthly maintenance and routing to the Federal Reserve Bank. This estimated cost also includes the amount ED pays to its contractor under the terms set forth in the contractual agreement to service and maintain its portfolio of defaulted loans.

**15. Reason for Changes to Annual Reporting/Recordkeeping Hour Burden and Annual Reporting/Recordkeeping Cost Burden to Respondents**

We are reporting a decrease of 125 hours as an adjustment based on the current data showing the actual number of borrowers who have selected the PDA payment option during 2006, 2007, and 2008.

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

The results of this 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.