

## **SUPPORTING STATEMENT**

Information Collections Under the Proposed Regulations Governing the William D. Ford Direct Loan Program.

### **A. Justification**

#### **1. Necessity of Information Collected**

The William D. Ford Direct Loan (Direct Loan) Program proposed regulations revise current regulations in the areas of program administration.

These proposed regulations are a result of regulatory review of the program regulations to reduce administrative burden for program participants, provide benefits to borrowers, and protect the taxpayers' interest. The proposed regulations would provide that upon a loan holder's receipt of a written request from a borrower and a copy of the borrower's military orders, the maximum interest rate that may be charged on Stafford loans made prior to entering active military duty is six percent while on active duty. This request is for approval of recordkeeping requirements contained in the attached proposed regulations related to the administrative requirements of the Direct Loan program. The information collection requirements in these proposed regulations are necessary to determine eligibility to receive program benefits and to prevent fraud and abuse of program funds.

**Direct Loan Program:** (OMB control number: 1845-XXX2)

Section 685.202 contains information collection requirements. Under the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)), the Department of Education is submitting a copy of these sections to the Office of Management (OMB) for its review. We are making the following changes to this section:

**Section 685.202 – Charges for which Direct Loan Program borrowers are responsible.**

The proposed regulations amend 685.202 to provide that, effective August 14, 2008, upon a loan holder's receipt of a written request from a borrower and a copy of the borrower's military orders, the maximum interest rate (as defined in 50 U.S.C.527, App, section 207(d)) that may be charged on Direct Loan program loans made prior to the borrower entering active duty status is six percent while the borrower is on active duty status.

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

### **Direct Loan Program:**

The information collected, recorded, and/or disclosed will continue to be used as necessary in to calculate the correct interest rates and for special allowance calculations.

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

### **Direct Loan Program:**

We continue to maximize the use of available technology in making and servicing Direct Loan Program loans. This effort extends to requirements that the Direct Loan regulations impose on borrowers and schools.

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

A thorough review of procedures indicates that current requirements are minimal and avoid duplication. This review was done in conjunction with affected parties who have a vested interest in eliminating duplication.

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

No small businesses are impacted by this collection.

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

Recordkeeping requirements are imposed to assure accountability of program participants for proper program administration and less frequent collection could impair accountability of program participants.

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

The collection of this information will be conducted in a manner that is consistent with the guidelines in 5 CFR 1320.5(d)(2).

## **8. Consultation Outside the Agency**

The Notice of Proposed Rulemaking (NPRM) will be published in the *Federal Register* for public comment.

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

No payments or gifts will be provided to the respondents.

**10. Assurance of Confidentiality**

The request for relief under the Servicemembers Civil Relief Act (SCRA) and a copy of the borrower’s military orders would be maintained by the Direct Lending institution and not submitted to the Department.

**11. Questions of Sensitive Nature**

The Department is not requesting any sensitive data.

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

**Direct Loan Program: (OMB 1845-XXX2)**

**Section 685.202 – Charges for which Direct Loan Program borrowers are responsible.**

We estimate the number of active duty military borrowers in the DL program to be 2,550. We estimate that it will take each borrower 15 minutes to submit his or her request for protection under the Servicemembers Civil Relief Act (SCRA) to have interest capped at the maximum rate of 6%.

**AFFECTED ENTITIES and BURDEN:**

**INDIVIDUALS:**

$$2,250 \text{ X } .25 \text{ hours} = 563 \text{ hours}$$

**INSTITUTIONS:**

**Proprietary Institutions:**

$$1,507 \text{ X } .08 \text{ hours (5 minutes)} = 121 \text{ hours}$$

**Private Institutions:**

$$293 \text{ X } .08 \text{ hours (5 minutes)} = 23 \text{ hours}$$

**Public Institutions:**

$$450 \text{ X } .08 \text{ hours (5 minutes)} = \underline{36 \text{ hours}}$$

$$\text{Total for all Institutions} \quad 180 \text{ hours}$$

	# of Respondents	# of Responses	#Hrs Burden
BORROWERS	2,250	2,250	563
LENDERS/GAs	2,250	2,250	180
TOTAL	4,500	4,500	743

Summary of the Burden Increases:

Respondents, Responses and Burden Hours:

# of Respondents	# of Responses	#Hrs Burden
<b>Section 685.202 – Charges for which Direct Loan Program borrowers are responsible.</b>		

4,500	4,500	743
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Current Inventory:

# of Respondents	# of Responses	#Hrs Burden
-0-	-0-	-0-

Revised Inventory:

# of Respondents	# of Responses	#Hrs Burden
4,500	4,500	743

**Annual Cost of Burden to Respondents**

**Direct Loan Program:**

**Section 685.202 – Charges for which Direct Loan Program borrowers are responsible.**

We estimate that the cost will be insignificant.

**13. Start-Up Cost Burden to the Respondents**

There are no start-up costs associated with these proposed regulatory changes.

**14. Estimated Annual Cost to the Federal Government**

There are no additional costs to the Federal government as a result of the final regulations.

**15. Reasons for Changes to Burden Hour Estimated**

These burden estimates are as a result of the proposed regulations to implement the statutory changes made by the Higher Education Opportunity Act (HEOA) (Pub. L. 110-315) to the Higher Education Act of 1965, as amended (HEA).

Below is a summary of the burden hours:

Respondents, Responses and Burden Hours:

# of Respondents	# of Responses	#Hrs Burden
<b>Section 685.202 – Charges for which Direct Loan Program borrowers are responsible.</b>		

4,500	4,500	743
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Current Inventory:

# of Respondents	# of Responses	#Hrs Burden
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Revised Inventory:

# of Respondents	# of Responses	#Hrs Burden
<b>4,500</b>	<b>4,500</b>	<b>743</b>

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

The results of the collection of information will not be published.

**17. Approval to Not Display Expiration Date**

ED is not seeking this approval.

**18. Exception to the Certification Statement**

ED is not requesting any exceptions to the "Certification for Paperwork Reduction Act Submissions" of OMB Form 83-1.