

Supporting Statement
Information Collection for the William D. Ford Federal Direct Loan Program
Federal Direct PLUS Loan Application and Master Promissory Note
Endorser Addendum to Federal Direct PLUS Loan Application and 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. Under 34 CFR 685.201(b), a parent or a graduate or professional student who wishes to borrow a Federal Direct PLUS (Direct PLUS) Loan must complete a Direct PLUS Loan MPN. The Direct PLUS Loan Application and Master Promissory Note (MPN) was developed in accordance with §432(m)(1)(D) of the HEA, which requires the Department to develop and use master promissory notes for loans made under the Federal Family Education Loan (FFEL) and Direct Loan programs. A master promissory note 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)). A master promissory note has been used for Direct PLUS Loans since the 2003-2004 program year.

Under §428B(a)(1)(A) of the HEA, one of the eligibility requirements to receive a Direct PLUS Loan is that a parent or a graduate or professional student borrower must not have an adverse credit history, as determined by regulations issued by the Department. The Direct Loan Program regulations allow a parent or a graduate or professional student who has an adverse credit history to receive a Direct PLUS Loan if the individual obtains an endorser who does not have an adverse credit history (34 CFR 685.200(b)(5) and 34 CFR 685.200(c)(1)(vii)(A)(2)). The Endorser Addendum to the MPN is the means by which an endorser agrees to repay a Direct PLUS Loan if the borrower does not repay the loan. If an applicant for a Direct PLUS Loan is determined to have an adverse credit history and obtains an endorser, only one loan can be made under the MPN. To obtain a subsequent Direct PLUS Loan, the borrower must complete a new MPN.

The Department is requesting a revision of the currently approved collection. The Department is making minor changes to the currently approved forms that include the following:

- Changing all references to the “Direct Loan Servicing Center” to “your servicer.” Beginning in 2010, Direct Loan Program loans may be serviced by one of five different servicers instead of a single Direct Loan Servicing Center.
- Revising the “Note to Endorser” in Item 9 of the Borrower’s Rights and Responsibilities Statement portion of the Direct PLUS Loan MPN and Endorser Addendum to reflect a recent policy change.
- In Item 12 of the Borrower’s Rights and Responsibilities Statement by changing “electronic debit account repayment” to “automatic withdrawal of payments.”

The term “electronic debit account repayment” is specific to the current Direct Loan Servicing Center and may not be used by the new Direct Loan servicers.

- Revising Item 15 of the Borrower’s Rights and Responsibilities Statement by (1) expanding the descriptions of the Income Contingent and Income-Based repayment plans by adding information on the availability of online calculators that allow borrowers to estimate their monthly payment amounts under these plans; (2) providing more detailed information about the requirements related to changing repayment plans; and (3) explaining how payments made under the Income-Based Repayment Plan are applied to a borrower’s account. The first two changes provide borrowers with important information that is not included in the current forms. The third change repeats information that currently appears only in Section F of the Direct PLUS Loan MPN (Section E of the Endorser Addendum), so that borrowers reading the Borrower’s Rights and Responsibilities Statement do not have to refer to a different section of the form to learn how payments are applied under the Income-Based Repayment Plan.
- Revising Item 20 of the Borrower’s Rights and Responsibilities Statement by removing the list of deferments that are available only to borrowers who had an outstanding balance on a FFEL Program loan made before July 1, 1993 when they received their first Direct Loan, and replacing the list of deferments with instructions to contact the borrower’s servicer for information on other deferments that may be available. Because very few borrowers who are completing the Direct PLUS Loan MPN will qualify for these deferments, the Department believes it is unnecessary to continue to list them.

2. Purpose and Use of Information Collected

The Department will continue to use the information collected on the MPN and Endorser Addendum to determine the eligibility of the borrower and endorser, and to process and service Direct PLUS Loans made to parent and graduate and professional student borrowers. The MPN serves as the borrower’s legally binding promise to repay all loan amounts disbursed under that MPN. The Endorser Addendum serves as the endorser’s legally binding promise to repay a Direct PLUS Loan if the borrower does not repay the loan.

3. Consideration of Improved Information Technology

The Department makes maximum use of available information technology to process the MPN and Endorser Addendum. A school may use information reported on the Free Application for Federal Student Aid (FAFSA) by a graduate or professional student borrower or by the student for whom a parent is borrowing a Direct PLUS Loan to complete portions of the MPN before the MPN is given to the borrower to sign. This reduces burden by eliminating the need for the borrower to provide the same information again. Similarly, schools electronically transmit information collected on the MPN to the Department. That information is then used by the Department to preprint borrower and/or student information on the Endorser Addendum if an applicant for a Direct PLUS Loan is determined to have an adverse credit history.

Since the introduction of the Direct PLUS Loan MPN, 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. This process is essentially the same as the electronic MPN process that has been available to Direct Subsidized and Direct Unsubsidized loan borrowers since the 2001-2002 program year. The electronic MPN process for Direct PLUS Loans 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. Currently, more than 50 percent of Direct Loan MPNs are completed electronically.

Since the spring of 2010, the Department has also offered Direct PLUS Loan endorser the option of completing the Endorser Addendum through an entirely electronic process that is modeled on the electronic process for the Direct PLUS Loan MPN, as described above. The electronic Endorser Addendum option has not been available long enough for the Department to provide an estimate of the number of Endorser Addenda that 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 PLUS Loan. However, the MPN minimizes the frequency of data collection by allowing a borrower who has completed an initial MPN (other than a borrower with an adverse credit history who obtains an endorser) to receive subsequent loans for up to 10 years without signing another MPN, if the student for whom a parent is borrowing or the graduate or professional student borrower is attending a school that has been authorized to use the MPN as a multi-year promissory note and chooses to do so. The MPN also reduces burden for Direct PLUS Loan 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. The Endorser Addendum must be completed each time a borrower who is determined to have an adverse credit history obtains an endorser for a Direct PLUS Loan.

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 MPN for Direct PLUS Loans is modeled on the MPN for Direct Subsidized Loans and Direct Unsubsidized Loans, which was developed and improved by the Department

in consultation with schools and other members of the financial aid community. In addition, the Department has consulted with its Direct Loan servicers in developing the revised Direct PLUS Loan MPN included with this submission.

The paperwork clearance process provides the public with two opportunities to submit comments on the revised Direct PLUS Loan MPN and Endorser Addendum. In response to a Notice published in the Federal Register on June 21, 2010 soliciting comments during the initial 60-day comment period for this collection, the Department received 80 comments from the National Council of Higher Education Loan Programs (NCHELP) recommending further changes (mostly minor) to the Direct PLUS Loan MPN and Endorser Addendum. We accepted the majority of these recommendations and have made further changes to the forms based on the 60-day comments. A document containing the comments from NCHELP and the Department's responses is included with this submission.

9. Payments or Gifts to Respondents

No payments or gifts will be provided to respondents.

10. Assurance of Confidentiality

The MPN and Endorser Addendum each include a Privacy Act Notice that (1) provides the statutory authority for the information collection, (2) explains that disclosure of the information is voluntary, but is required for participation in the Direct Loan Program, 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 and Endorser Addendum do not require respondents 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 1,364,219 (an estimated 1,091,375 respondents for the MPN and 272,844 respondents for the Endorser Addendum). The estimated time required to complete an MPN or Endorser Addendum is 0.5 hours (30 minutes). Based on one response per respondent, this equates to a total estimated annual reporting burden of 682,110 hours.

There is an annual estimated cost to respondents of \$600,256.00, calculated by multiplying the estimated number of respondents (1,364,219) by the cost of postage (\$0.44) required to return the MPN or Endorser Addendum. Although this estimated cost assumes that the postage cost applies to all respondents, note that many borrowers who complete paper MPNs deliver them directly to 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. 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 \$1,327,890.00. This includes the following:

Software development, distribution, and technical training:	\$113,315.00
Printing and distribution of the forms:	\$64,575.00
Electronic transmission/receipt of data:	\$1,150,000.00
TOTAL:	<hr/> \$1,327,890.00

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

There is an increase of 554,922 hours due to an increase in the number of respondents since the previous submission. This increase in the number of respondents is a result of the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152), which terminated the authority of lenders to make new FFEL Program loans effective July 1, 2010. As a result, all new PLUS loan made on or after July 1, 2010 will be made through the Direct Loan Program.

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.