

**Supporting Statement**  
**Information Collection for the William D. Ford Federal Direct Loan Program**  
**Application for Automatic Withdrawal of Payments (OMB No. 1845-0040)**

**A. Justification**

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.

Section 455(b)(8) of the Higher Education Act of 1965, as amended (the HEA) and regulations at 34 CFR 685.211(b) authorize the U.S. Department of Education (ED) to offer a repayment incentive to William D. Ford Federal Direct Loan (Direct Loan) Program borrowers in the form of a reduced interest rate for borrowers who repay a loan under a system or on a schedule that meets requirements specified by ED. The purpose of such an incentive is to encourage on-time repayment.

One repayment incentive offered by ED under the authorities described above the automatic payment withdrawal option. The automatic payment withdrawal option allows Direct Loan borrowers to have their monthly loan payments automatically debited from their checking or savings accounts and sent to ED. Borrowers receive a 0.25% reduction in the interest rate on their Direct Loans during periods when they elect to have their monthly loan payments automatically deducted through this option.

Direct Loan borrowers who choose the automatic payment withdrawal option to make their monthly student loan payment must authorize ED to debit their bank accounts by completing an Application for Automatic Withdrawal of Payments (automatic payment withdrawal application). The automatic payment withdrawal application also collects the information needed by ED to process these payments.

ED's Direct Loan servicers may also offer borrowers the option of having individual loan payments deducted from their checking or savings accounts at any time, without having all payments automatically deducted. The same bank account information collected on the automatic payment withdrawal application is also needed to process direct debits of individual payments at the request of the borrower. (Note: Borrowers receive the 0.25% interest rate reduction only if they elect to have all of their monthly payments automatically debited.)

ED is requesting a revision of the currently approved collection. ED has made minor changes to the language on the current form to reflect the fact that ED now has multiple Direct Loan servicers instead of a single Direct Loan Servicing Center. There are no changes to any of the data elements on the form, nor is ED adding any new data elements.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

ED has used the collection of information on the currently approved automatic payment withdrawal application to establish electronic debiting for Direct Loan borrowers who have requested to have their student loan payments automatically debited from their bank accounts on a monthly basis, or who wish to authorize electronic debiting of individual payments. The information collected on the automatic payment withdrawal application will continue to be used for this purpose.

Borrowers have two options for completing an automatic payment withdrawal application. They may complete a paper application and return it to their Direct Loan servicer, or they may complete an application electronically on their servicer's website by using their ED-issued PIN. Borrowers may obtain paper automatic payment withdrawal application by contacting their servicer or by downloading the applications from their servicer's website.

Borrowers may cancel the automatic payment withdrawal option at any time by contacting their servicer.

ED will also continue to use the bank account information that is collected on the currently approved automatic payment withdrawal application for processing debits of individual monthly payments at a borrower's request. There is no paper application for individual payment debiting because this process is entirely electronic. Direct Loan use their ED-issued PINs to access their servicer's website. Once they have entered the secure website, they must read ED's privacy act notice and provide the same bank account information that is required to participate in the automatic payment withdrawal option before they can authorize the debiting of an individual payment.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision of adopting this means of collection. Also describe any consideration given to using technology to reduce burden.

As explained in Item 2, borrowers have the option of submitting an automatic payment withdrawal application electronically, and the option of having individual monthly payments debited is available only electronically. We estimate that 25 percent of the respondents who choose the automatic payment withdrawal option will complete and submit their application via their Direct Loan servicer's website. The remaining respondents who do not have Internet access or who do not want to download their application via the Internet can request that an application be sent through the United States Postal Service by contacting their servicer.

We estimate that 1.5 percent of Direct Loan borrowers who do not enroll in the automatic payment withdrawal option will individually authorized the debiting of their monthly loan payments.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

There is no information available from other sources that can be used for the purposes described in Items 1 and 2.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.

No small businesses are affected by this information collection.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

If ED did not collect the data requested in the automatic payment withdrawal application, we would not have the information needed to implement electronic debiting of borrowers' loan payments. This would eliminate an option that makes it more convenient for borrowers to make payments on their Direct Loans, and helps to ensure that loan payments are made on time.

Generally, a borrower is required to complete an automatic payment withdrawal information (or provide the bank account information needed to authorize the debiting of individual payments) only one time. A borrower may be required to complete an automatic payment withdrawal application more than once if (1) the borrower's bank account information changes or (2) the borrower was participating in the automatic payment withdrawal option, stopped, and now wants to participate in the automatic payment withdrawal option again.

Once a borrower has provided banking information for the *Making A Payment* repayment option, the borrower does not have to provide that information again unless it changes.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

- requiring respondents to report information to the agency more often than quarterly;
- requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;
- requiring respondents to submit more than an original and two copies of any document;
- requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;
- in connection with a statistical survey, that is not designed to produce valid and reliable results than can be generalized to the universe of study;

- requiring the use of a statistical data classification that has not been reviewed and approved by OMB;
- that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or that unnecessarily impedes sharing of data with other agencies for compatible confidential use; or
- requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

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

8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.

Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instruction and record keeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years – even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

The currently approved automatic payment withdrawal application was developed with input from ED's original Direct Loan Servicer. A 60 day notice was published in the Federal Register on March 7, 2011 – 76 FR 12342. No public comments were received. A 30 day notice was published in the Federal Register for public comment. The clearance of the revised application will provide for two public comment periods that will be announced in the Federal Register.

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

No payments or gifts will be provided to respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

The automatic payment withdrawal application and servicer websites that collect bank account information needed for debiting of individual payments include a Privacy Act Notice that (1) informs the borrower of the statutory authority for collecting the information; (2) explains that the disclosure of the information is voluntary, but is required in order for the borrower to enroll in the automatic payment withdrawal option or to have individual payments electronically debited; and (3) identifies the third parties to whom the information may be disclosed and explains the circumstances under which such disclosures may occur.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. The justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

This collection of information does not require borrowers to provide any information of a sensitive nature.

12. Provide estimates of the hour burden of the collection of information. The statement should :

- Indicate the number of respondents by affected public type (federal government, individuals or households, private sector, business or other for profit, not-for-profit institutions, farms state, local or tribal government), frequency of response, annual hour burden, and an explanation of how the burden was estimated, including identification of burden type: recordkeeping, reporting or third party disclosure. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.
- If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in item 16 of IC Data Part 1.
- Provide estimates of annualized cost to respondents of the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.

ED estimates the total annual hour burden for this information collection to be 23,516 hours, calculated as follows:

Estimated annual number of respondents:	706,200
Number of responses per borrower:	x 1
Hours per response:	<u>x .0333 (2 minutes)</u>
Annual hour burden:	23,516 hours

Note: This estimate includes both borrowers who enroll in the automatic payment withdrawal option and borrowers who do not enroll in this option, but who provide bank account information to enable electronic debiting of individual payments.

13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14.)

- The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life); and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and acquiring and maintaining record storage facilities.
- If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.
- Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government or (4) as part of customary and usual business or private practices.

Total Annualized Capital/Startup Cost	:	
Total Annual Costs (O&M)	:	
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Total Annualized Costs Requested	:	

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.

There is an estimated annual cost to respondents of \$233,046 associated with postage. This estimate was calculated by multiplying the estimated number of respondents who are expected to submit paper versions of the electronic debit application (529,650) by the cost of postage required to return the automatic payment withdrawal application (\$0.44). Approximately 25 percent (176,550) of the total number of respondents (706,200) complete the application electronically and thus incur no costs other than minimal costs that may be imposed by Internet providers.

14. Provide estimates of annualized cost to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.

The total estimated annual cost to the Federal Government for this collection is \$383,400. This includes costs associated with printing, mailing, and processing automatic payment withdrawal applications.

15. Explain the reasons for any program changes or adjustments. Generally, adjustments in burden result from re-estimating burden and/or from economic phenomenon outside of an agency’s control (e.g., correcting a burden estimate or an organic increase in the size of the reporting universe). Program changes result from a deliberate action that materially changes a collection of information and generally are result of new statute or an agency action (e.g., changing a form, revising regulations, redefining the respondent universe, etc.). Burden changes should be disaggregated by type of change (i.e., adjustment, program change due to new statute, and/or program change due to agency discretion) and include both changes in burden hours and changes in cost burden.

ED is reporting an upward adjustment of 15,153 hours due to an increase in the number of respondents. This increase is the result of the Health Care and Education Reconciliation Act of 2010 (Public Law 111-152, Section 2201), which terminated the authority of lenders to make new Federal Family Education Loan Program (FFEL Program) loans effective July 1, 2010. This has resulted in an overall increase in the number of Direct Loan borrowers, with a corresponding increase of 455,071 in the number of respondents and 15,153 hours for this collection.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

The results of this collection will not be published.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

ED is not seeking this approval.

18. Explain each exception to the certification statement identified in the "Certification of Paperwork Reduction Act Submissions".

ED is not requesting any exceptions to the "Certification for Paperwork Reduction Act Submissions.