SUPPORTING STATEMENT FOR PAPERWORK REDUCTION ACT SUBMISSION

Information Collections under the Final Regulations Governing Student Assistance General Provisions – Subpart E: Verification of Student Aid Application Information

RIN-1840-AD02

A. Justification

1. Necessity of Information Collected

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.

This request is for approval of updates and changes to the policies and reporting requirements contained in subpart E of part 668. That subpart governs the verification and updating of the Free Application for Federal Student Aid (FAFSA) used to calculate an applicant's Expected Family Contribution (EFC) for purposes of determining an applicant's need for student financial assistance under title IV of Higher Education Act of 1965, as amended (HEA). The collection of this documentation helps ensure that students (and parents in the case of PLUS loans) receive the correct amount of title IV program assistance by providing accurate information to calculate an applicant's expected family contribution.

These final regulations help to implement statutory changes made to part F (Need Analysis) of the HEA by the Higher Education Opportunity Act (HEOA) by updating definitions, procedures and programs references as well as aligning the regulations with enhancements that have been made to the Federal Student Aid (FSA) application processing system.

The final regulations will revise the verification process. Updating information will be expanded to include the updating of a student's marital status during the award year when the institution determines that the update is necessary to address an inequity or reflect more accurately the applicant's ability to pay. The final regulations would decrease the number of items to be verified from the current five required data elements to an average of three data elements as selected on an individual basis. We propose to accept information that has been retrieved directly from the IRS and unchanged by the applicant. The final regulations eliminate the verification tolerances and require that all data changes be transmitted to the Department in order to insure that our systems contain correct data.

2. Purpose and Use of Information Collected

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.

Subpart E – Verification and Updating of Student Aid Application Information
(OMB control number 1845-0041)

Sections 668.55, 668.56, 668.57, and 668.59 contain 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 proposing the following changes to those sections:

Section 668.55 – Updating information.

The final regulations add the requirement that all applicants update all dependency status changes throughout the award year, and under certain exceptional situations a financial aid administrator can include changes in an applicant's marital status, even if the applicant was not selected for verification.

Section 668.56 – Information to be verified.

The final regulations eliminate the specified five verification elements and in its place specifies that the Secretary will publish an annual listing of FAFSA information that may be required to be verified.

Section 668.57 – Acceptable documentation.

The final regulations clarify acceptable documentation for three specified areas for verification. The regulations also allow the institutions to accept income information provided on the FAFSA if it has been obtained directly from the Internal Revenue Service during the initial application process through the IRS Data Retrieval process and the retrieved data has not been changed by the applicant.

Section 668.59 – Consequences of a change in application information.

The final regulations eliminate all allowable tolerances and require that all changes to the applicant's FAFSA information resulting from verification be submitted to the Department for those applicants receiving aid under any of the subsidized student financial assistance programs.

3. Consideration of Improved Information Technology
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.

Institutions are encouraged to use computer and Internet technology to image, transmit, and receive the supporting documents.

4. Efforts to Identify Duplication

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.

The student completes the Free Application for Federal Student Aid (FAFSA) using self-reported data and submits the data by paper or electronically to the Department. Those students selected for verification by the Secretary must submit documentation to support the data as originally provided on the FAFSA. The submission of supporting documentation is not duplicated during any other part of the application process.

5. Burden Minimization as Applied to Small Business

If the collection of information impacts small businesses or other small entities (Item 8b of IC Data Part 2), describe any methods used to minimize burden.

No small businesses are impacted by this collection.

6. Consequences of Less Frequent Data Collection

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.

Without these annual data collections institutions would not be able to comply with the statutory verification requirements, resulting in students receiving more aid than they would otherwise be eligible to receive, based solely upon self-reported data. The Department's selection of applicants for the verification process is based upon annual studies conducted to identify applicants who are most prone to report erroneous data.

7. Special Circumstances Governing Data Collection

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 requirement requires no special circumstances.

8. Consultation Outside the Agency
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 Department of Education announced in a September 9, 2009 Federal Register notice (74 FR 46399), the Department's intention to establish negotiated rulemaking committees to prepare final regulations under Title IV of the Higher Education Act of 1965, as amended (HEA). These committees were formed as a result of a Federal Register notice published on May 26, 2009 (74 FR 24728) which announced a series of three regional hearings at which interested parties could comment on topics suggested by the Department and suggest additional topics for consideration. The topic "Verification of information included on student aid applications" was among the list of program integrity issues listed by the Department.

A notice of Proposed Rulemaking (NPRM), 1840-AD02, was published in the Federal Register on June 18, 2010 (75 FR 34806) seeking public comment. We received no comments specific to the income collection requirements.

9. Respondent Payment or Gifts
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 the respondents.

10. Assurances of Confidentiality

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

No assurance of confidentiality is provided to respondents. Submission of required documents is required for applicants selected for verification.

11. Questions of a Sensitive Nature

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.

The Department is not requesting any sensitive data.

12. Annual Hour Burden for Respondents/Recordkeepers

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

- **Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. 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.**

The regulations require participating institutions to inform an applicant selected for verification with a clear explanation of the documentation needed to satisfy the verification requirements, the deadline for the submission of those documents, and the consequences of an applicant’s failure to provide the required documentation within the specified time period. Subsequently, the institution will review the submitted documentation and compare the data with that which was originally submitted on the FAFSA. When the data contained on the verification documentation differs from the FAFSA data, the original FAFSA data must be corrected.

Section 668.55 – Updating information.

The following figures incorporate the burden estimate from §668.55(a)(1)(i) which require all applicants to update changes in household size and the number in the household attending postsecondary educational institutions throughout the award year.

AFFECTED PARTIES:

# of Respondents	# of Responses	Hrs/Response	# of Burden Hours
Individuals			
1,530,000	1,530,000	0.08	122,400
Proprietary Institutions			
2,086	566,100	0.17	96,237
Private Not-For Profit Institutions			
1,731	459,000	0.17	78,030
Public Institutions			
1,892	504,900	0.17	85,833
TOTAL			
1,535,709	**3,060,000**		**382,500**

The following figures incorporate the burden estimate from §668.55(a)(1)(ii) which require all dependency status changes be reported to the Department throughout the award year, and under certain exceptional situations a financial aid administrator can include changes in an applicant's marital status, even if the applicant was not selected for verification.

AFFECTED PARTIES:

# of Respondents	# of Responses	Hrs/Response	# of Burden Hours
Individuals			
170,000	17,000	0.08	1,360
Proprietary Institutions			
2,086	6,290	0.17	1,069
Private Not-For Profit Institutions			
1,731	5,100	0.17	867
Public Institutions			
1,892	5,610	0.17	954
TOTAL			
175,709	**34,000**		**4,250**
Section Subtotal			
1,711,418	**3,094,000**		**386,750**

<u>Section 668.56 – Information to be verified.</u>

The following figures incorporate the burden estimate from §668.56(b), incorporating the decrease anticipated in the number of information items that will need to be verified.

AFFECTED PARTIES:

# of Respondents	# of Responses	Hrs/Response	# of Burden Hours

Individuals			
5,100,000	5,100,000	0.12	612,000
TOTAL			
5,100,000	**5,100,000**		**612,000**

Note: Since the 2002-03 analysis of burden that yielded the current burden inventory, the total number of FAFSA applicants has increased significantly to 17.4 million for the 2008-09 application year. Of that number, we expect to verify 5.1 million applicants. The previously established average amount of time needed to gather documents and complete a Verification Worksheet containing 5 data elements is 12 minutes (.2 hours). Therefore, prior to the implementation of these final regulations, we would have yielded 5.1 million applicants selected for verification X .2 hours = 1,020,000 hours of burden.

Under the final §668.56(b) the average number of data elements is estimated to be 3. Therefore, the projected amount of time to gather documents and complete the verification process will be reduced to 7.2 minutes (.12 hours). As a result the projected burden will be 5,100,000 X .12 hours = 612,000 hours, reducing burden by 408,000 hours. However, due to the projected increase in the applicant pool from 1,515,108 to 5,100,000 the overall burden associated with 668.56 (b) will increase from 505,036 to 612,000.

<u>Section 668.57 – Acceptable documentation.</u>

AFFECTED PARTIES:

# of Respondents	# of Responses	Hrs/Response	# of Burden Hours
Proprietary Institutions			
2,086	1,887,000	.12	226,440
Private Not-For Profit Institutions			
1,731	1,530,000	.12	183,600
Public Institutions			
1,892	1,683,000	.12	201,960
TOTAL			
5,709	**5,100,000**		**612,000**

Note:
Section 668.57(a)(2)
The burden reduction attributable to the use of the Internal Revenue Service (IRS) Data Retrieval system as a part of the FAFSA on the Web is included in the burden reduction in §668.56(b). Using the imported IRS data contributes to the reduction of the average number of data elements verified from five to three.

Section 668.57(d)
Since the 2002-03 analysis of burden that yielded the current burden inventory, of 1,515,107 respondents and 505,036 burden hours, the total number of FAFSA applicants for the 2008-09 award year has increased to 17 million. Of that number, we expect to

verify other information specified in an annual Federal Register notice on a projected 5.1 million applicants selected for verification. The previously established average amount of time needed to gather documents and complete a Verification Worksheet containing 5 data elements is 12 minutes (.2 hours). Therefore, prior to the implementation of these final regulations we would have projected 5.1 million X .2 hours = 1,020,000 hours of burden.

Under the final §668.56(b) the average number of data elements is estimated to be 3. Therefore, the projected amount of time to gather documents and complete the verification process will be reduced to 7.2 minutes (.12 hours). As a result the projected burden will be 5,100,000 X .12 hours = 612,000 hours, reducing burden by 408,000 hours. However, due to the projected increase in the applicant pool from 1,515,108 to 5,100,000 the overall burden associated with §668.56 (b) will increase from 505,036 to 612,000.

Section 668.59 – Consequence of a change in FAFSA information.

The final regulations require changes to the applicant's FAFSA information resulting from verification of applicants receiving aid under any of the subsidized student financial assistance programs be reported to the Department. Of the 17 million applicants, we estimate that 5.1 million applicants will be selected for verification. Based upon the average number of transactions as a consequence of a change in FAFSA information, we believe that of the 5.1 million applicants verified will have an average of 3.4 transactions per applicant selected to complete the verification/data correction process yielding 17,340,000 responses. Under the final verification regulations, we expect the average amount of time per response to decrease from 12 minutes (.2 hours) to 7.4 minutes (.12 hours) for a total of 2,080,800 hours of burden. Under the current regulations the 17,340,000 responses would take an average of 12 minutes (.2 hours) per response yielding 3,468,000 burden hours less 2,080,800 hours (under the final regulations) or 1,387,200 hours saved.

AFFECTED PARTIES:

# of Respondents	# of Responses	Hrs/Response	# of Burden Hours
Proprietary Institutions			
2,086	6,415,800	0.12	769,896
Private Not-For Profit Institutions			
1,731	5,202,000	0.12	624,240
Public Institutions			
1,892	5,722,200	0.12	686,664
TOTAL			
5,709	**17,340,000**		**2,080,800**

13. Start-up Cost Burden to the Respondents

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) :

Total Annualized Costs Requested :

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

14. Estimate of Annual Cost to the Federal Government
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.

There are no additional costs to the government.

15. Reasons for Changes to Burden Hour Estimate
Explain the reasons for any program changes or adjustments to #16f of the IC Data Part 1 Form.

The changes to the burden hour estimates are a result of final administrative changes to prevent and combat fraud, waste and abuse. Many of these changes are as a result of the three public hearings that were conducted prior to the negotiated rulemaking sessions and also align the regulations with enhancements that have been made to the Federal Student Aid (FSA) application processing system.

The burden estimate from the previously approved collection was 3,036,317 responses and 1,022,384 burden hours. The implementation of the final regulations as a result of the Negotiated Rulemaking process created additional information collections burden.

The increase of 612,000 burden hours is due to a statutory change in the Higher Education Opportunity Act (HEOA) (Pub.L. 110-315) made to the HEA that authorizes the Secretary to work in cooperation with the Internal Revenue Service (IRS) in order for an individual to retrieve his or her financial information from the IRS consistent with the regulations at 34 CFR 668.57(a)(3). This information retrieval directly from the IRS, if unchanged by the applicant, will be accepted as verified information. The remaining increase of 3,079,550 burden hours is a result of programmatic changes to prevent and combat fraud, waste and abuse, and align the regulations with enhancements made to the Federal Student Aid application processing system. The changes will revise the verification process to include collecting updated information about dependency status such as a student's marital status during the award year. The regulation change will also decrease the number of items to be verified from the current five required data elements to an average of three data elements as selected on an individual basis. These regulation changes also eliminate the verification tolerances and require all data changes to be transmitted to the Department to ensure that applicant data in our system is correct.

A summary is presented below:

	# of Respondents	# of Responses	# Hrs of Burden
Section 668.55 – Updating information			
	1,711,418	3,094,000	386,750
Section 668.56 – Information to be verified			
	5,100,000	5,100,000	612,000
Section 668.57 – Acceptable documentation			
	5,709	5,100,000	612,000
Section 668.59 – Consequences of a change in FAFSA information			
	5,709	17,340,000	2,080,800
Sub total			
	6,822,836	30,634,000	3,691,550

Current Inventory		
3,036,371	*3,036,371*	*1,022,384*
Revised Inventory		
9,859,207	**33,670,371**	**4,713,934**

16. Collection of Information with Published Results
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 the collection of information will not be published.

17. Approval to Not Display Expiration Date
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 approval to not display an expiration date. The OMB expiration dates will be displayed in the Federal Register once approved.

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

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