

SUPPORTING STATEMENT
FOR PAPERWORK REDUCTION ACT SUBMISSION

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(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. Since the 1999-2000 program year, the standard promissory note for Federal Direct Stafford/Ford (Direct Subsidized) Loans and Federal Direct Unsubsidized Stafford/Ford (Direct Unsubsidized) Loans has been the Master Promissory Note (MPN) that was developed by the Department in accordance with §432(m)(1)(D) of the HEA. The Direct Loan Program regulations require a borrower to complete an MPN before receiving a Direct Subsidized or Direct Unsubsidized loan (see 34 CFR 685.201(a)(2)).

The Department is requesting a revision of the currently approved collection. The Department is revising the currently approved form for consistency with changes that were made in the revised Federal Direct PLUS Loan MPN that was approved by the Office of Management and Budget (OMB) in November 2010 under OMB Control No. 1845-0068. These changes include the following:

- Changing all references to the “Direct Loan Servicing Center” to “your servicer.” Since 2010, Direct Loan Program loans have serviced by one of five different federal loan servicers instead of a single Direct Loan Servicing Center.
- In Item 11 of the Borrower’s Rights and Responsibilities Statement, changing “electronic debit account repayment” to “automatic withdrawal of payments.” The term “electronic debit account repayment” is specific to the Department’s original 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 description of the 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; and (2) providing more detailed information about the requirements related to changing repayment plans.
- Revising Item 21 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 Federal Family Education Loan (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 MPN will qualify for these deferments, the Department believes it is unnecessary to continue to list them.

- Adding a new Item 16 to the Borrower's Rights and Responsibilities Statement explaining that the Department may transfer a borrower's loan to a different servicer, and the information that will be provided to the borrower if such a transfer occurs.

In addition to the changes listed above, the Department is also making minor wording changes in various places throughout the MPN to present information more clearly or concisely. These changes are consistent with changes previously made in the Direct PLUS Loan MPN.

There are no changes to any of the data elements except for the addition of optional e-mail address fields for the two references in Section A, Item 7. The same new data element was previously added to the Direct PLUS Loan MPN (OMB No. 1845-0068) in response to public comments received during the 2010 clearance of that form. The addition of this optional data element does not affect the burden associated with this collection of information.

The May 14, 2008 Notice of Office of Management and Budget Action approving the current MPN included the following two terms of clearance:

“Consistent with the existing terms of clearance, the agency shall do the following: (a) explore the possibility of combining the Direct Loan/FFEL promissory notes upon reauthorization of the Higher Education Act; and (b) continue working towards completion of the common school ID initiative.”

With regard to (a), the Health Care and Education Reconciliation Act of 2010 (HCERA; Public Law 111-152) eliminated the authority of lenders to make new FFEL Program loans as of July 1, 2010. As a result of this change, there are no longer any FFEL Program promissory notes in use for making new loans.

With regard to (b), the Department continues to work toward completion of the common school ID initiative as our older systems are replaced or re-engineered.

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.

The Department will continue to use the information collected on the MPN to process and service Direct Subsidized and Direct Unsubsidized loans made to student borrowers. The MPN serves as the borrower's legally binding promise to repay all loan amounts disbursed under the MPN.

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.

The Department makes maximum use of available information technology to process MPNs. Schools electronically receive data provided by the student on the Free Application for Federal Student Aid (FAFSA) and create loan records based on the FAFSA data and additional data provided by the school. This process allows most of the information requested in Section A of the MPN (Borrower Information) to be preprinted, thus reducing burden on borrowers.

Beginning with loans made during the 2001-2002 program year, 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. The Department will continue to offer this option with the revised MPN. The electronic process 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.

Since the introduction of the electronic MPN option, the percentage of MPNs that are completed electronically has steadily increased. Currently, approximately 95 percent of Direct Loan MPNs are completed electronically.

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.

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. 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 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.

Without this collection of information, borrowers would not be able to receive Direct Subsidized or Direct Unsubsidized loans. The MPN minimizes the frequency of data collection by allowing a borrower who has completed an initial MPN to receive subsequent loans for up to 10 years without signing another MPN, if the borrower is attending a school that is authorized to make multiple loans under the MPN and chooses to do so. The MPN also reduces burden for 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.

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 Department consulted with schools and other members of the financial aid community in developing the original MPN and improving the MPN, and the revised MPN included with this submission reflects changes previously incorporated in the Direct PLUS Loan MPN (OMB No. 1845-0068) in response to public comments that were submitted during the 2010 clearance of that collection. The paperwork clearance process will provide the public with two opportunities to submit comments on the revised MPN.

A Notice was published in the Federal Register on March 15, 2011 (76 FR 14000) inviting the public to submit comments on the revised MPN during the initial 60-day comment period for this collection. In response to this Notice, one commenter submitted 10 comments. The comments were not substantive and were mostly recommendations for further changes to make the MPN more consistent with the Direct PLUS Loan MPN. The Department made all of the recommended changes. The Department has also made additional non-substantive changes in response to internal comments provided by the Department's Direct Loan servicers. The MPN that will be posted for public comment during the second 30-day comment period includes all of these changes.

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 MPN includes a Privacy Act Notice that (1) informs the borrower of the statutory authority for the information collection, (2) explains that disclosure of the information is voluntary, but is required in order to determine the borrower's eligibility to receive a loan, 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.

The MPN does not require a borrower to provide any information that would be considered sensitive.

12. 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 Department estimates the total annual number of respondents for this information collection to be 5,239,078. The estimated time required to complete an MPN is 0.5 hours (30 minutes). Based on one response per respondent, this equates to a total estimated annual reporting burden of 2,619,539 hours.

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) :**

Total Annualized Costs Requested : _____

There are no annual capital/startup costs to respondents, nor are there any annual costs to respondents associated with operating or maintaining systems or purchasing services.

The total annual estimated cost burden for this collection is \$115,259.72. This estimate was calculated by multiplying the estimated number of respondents who do not complete an electronic MPN (261,954) by the cost of postage required to return the MPN (\$0.44). Although the annual cost burden estimate assumes that the postage cost applies to all borrowers who complete a paper MPN, note that many of these borrowers deliver the MPNs directly to their 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.

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 information collection is \$4,163,000.00. This includes the following:

Software development, distribution, and technical training:	\$360,000.00
Printing and distribution of the MPN:	\$203,000.00

Electronic transmission/receipt of data:	\$3,600,000.00
TOTAL:	\$4,163,000.00

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

The Department is reporting a program change increase of 2,232,386 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 new statutory requirements under the Health Care and Education Reconciliation Act of 2010 which terminated the authority of lenders to make new FFEL Program loans effective July 1, 2010. As a result, all new subsidized and unsubsidized Stafford Loans (called Direct Subsidized Loans and Direct Unsubsidized Loans in the Direct Loan Program) will be made through the Direct Loan Program.

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 information 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.

The Department is not seeking this approval.

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

The Department is not requesting any exceptions to the “Certification for Paperwork Reduction Act Submissions” of OMB Form 83-I.