

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
OMB No. 1845-0068

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. 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 Direct Loan program. 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 changes to the currently approved forms that include the following:

- Updating information about the interest rate for Direct PLUS Loans to reflect recent changes made by the Bipartisan Student Loan Certainty Act of 2013.
- Adding information about the new Pay As You Earn repayment plan that was established by final regulations published on November 1, 2012 (77 FR 66088).
- Expanding the descriptions of the Income-Based and Income-Contingent repayment plans to provide more detailed information about these plans.

- Removing information about the no-longer-available up-front interest rebate repayment incentive.
- Replacing the single “Repaying Your Loans Chart” at the end of the Borrower’s Rights and Responsibilities Statement that accompanies the MPN and Endorser Addendum with four separate charts. The single chart in the currently approved forms covers only the Standard, Graduated, and Extended repayment plans, and for the Extended plan it provides sample payment amounts only for the Extended-Fixed payment option. The proposed revised forms will include a new Standard/Graduated/Extended plan chart that provides sample payment amounts for both the Extended-Fixed and Extended-Graduated payment options, plus three new charts that provide sample payment amounts for the Income-Based, Pay As You Earn, and Income-Contingent repayment plans.
- In various places, revising language to present information more clearly and concisely.

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 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. 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 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, approximately 98% of Direct PLUS Loan MPNs are completed electronically.

Since the spring of 2010, the Department has also offered Direct PLUS Loan endorsers 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. Currently, approximately 96% of Direct PLUS Loan endorsers complete the Endorser Addendum 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.

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. 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 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.

On August 22, 2013 a notice was published in the Federal Register (78 FR 52169) soliciting comments on the revised MPN and Endorser Addendum. The Department received no public comments. However, we have made a number of changes to the MPN and Endorser Addendum in response to internal reviews of the documents by the Department's federal loan servicers and other Department offices. These are minor changes to wording and formatting for greater clarity. We have made no substantive changes to the text of the MPN and Endorser Addendum that were posted for public comment during the 60-day comment period, nor have we added any new data elements or modified existing data elements.

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 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. 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 and Endorser Addendum do not require respondents 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 1,087,407 (an estimated 1,022,877 respondents for the MPN and 64,530 respondents for the Endorser Addendum). The estimated time required to complete an MPN or

Endorser Addendum is 0.5 hours hour (30 minutes). Based on one response per respondent, this equates to a total estimated annual reporting burden of 543,704 hours.

There is an annual estimated cost to respondents of \$10,598.00, calculated by multiplying the estimated number of respondents who do not complete the MPN or Endorser Addendum electronically (23,039) by the cost of postage (\$0.46) required to return the MPN or Endorser Addendum. Borrowers who complete the MPN electronically 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. 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 capital/startup costs to respondents, nor are there any annual costs to respondents associated with operating or maintaining systems or purchasing services.

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 \$20,827.00. This represents costs associated with printing and distributing the paper versions of the Direct PLUS Loan MPN. It is not possible to provide annualized costs associated with the implementation of the electronic versions of the Direct PLUS Loan MPN and Endorser Addendum, or with the printing of the paper version of the Endorser Addendum. The terms of the Department's contract with the entity that is responsible for performing these functions (and other functions) does not provide for itemization of costs associated with specific functions.

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

There is a decrease of 138,406 hours due to a decrease in the number of respondents since the previous submission. The previous submission for this collection reported an increase in the number of respondents as 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 loans made on or after July 1, 2010 have been made through the Direct Loan Program, and this resulted in an initial increase in the number of respondents completing the Direct PLUS Loan MPN and Endorser Addendum. However, because in general a borrower only needs to complete a Direct PLUS Loan MPN once to receive Direct PLUS Loans for up to 10 years, there has been a decrease in the number of respondents since the previous submission.

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.

B. Collection of Information Employing Statistical Methods

This information collection does not employ statistical methods.