

## **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 hard copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information, or you may provide a valid URL link or paste the applicable section<sup>1</sup>. Specify the review type of the collection (new, revision, extension, reinstatement with change, reinstatement without change). If revised, briefly specify the changes. If a rulemaking is involved, make note of the sections or changed sections, if applicable.

Section 493C of the Higher Education Act of 1965, as amended (the HEA), authorizes the Income-Based Repayment (IBR) Plan and for borrowers who obtain student loans through the Federal Family Education Loan (FFEL) Program and William D. Ford Federal Direct Loan (Direct Loan) Program. Sections 455(d) of the HEA, authorizes Income-Contingent Repayment (ICR) Plan for borrowers who obtain student loans through the Direct Loan Program. The regulations that govern the IBR plan in 34 CFR 682.215 and 685.221. The regulations that govern the ICR Plan are in 34 CFR 685.209. In accordance with 34 CFR 682.209(a)(6)(iii) and 685.210(a)(1), a FFEL Program lender or the Secretary must offer a borrower a choice of certain repayment plans, including the IBR Plan, and, in the case of the Direct Loan Program, the ICR Plan.

Section 493C(b) of the HEA and the regulations provide that a borrower may choose to repay his or her loans under the IBR Plan only if the borrower has a partial financial hardship. A borrower is considered to have a partial financial hardship if the annual amount due on his or her eligible loans, as calculated under a standard repayment plan based on a 10-year repayment period, exceeds 15% of the difference between the borrower's adjusted gross income (AGI) and 150% of the HHS poverty guideline for the borrower's family size and state of residence. If a borrower has a partial financial hardship, the maximum monthly amount that a borrower may be required to repay under the IBR Plan is 15% of the difference between the borrower's AGI and 150% of the applicable HHS Poverty Guideline, divided by 12. A loan holder determines whether a borrower has a partial financial hardship to qualify for the IBR plan for the year the borrower initially selects the IBR Plan and for each subsequent year that the borrower remains on the plan. The Department, on November 1, 2012, published a Final Rule in the Federal Register (77 FR 66087) to change the ICR plan by splitting ICR into two variants (Pay As You earn and ICR).

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<sup>1</sup> Please limit pasted text to no longer than 3 paragraphs.

- One variant (ICR), is the same as the ICR Plan in current Direct Loan regulations, where a borrower's payment amount is the lesser of what the borrower would pay (1) on a 12-year amortization of his or her Direct Loans multiplied by an income percentage factor or (2) 20 percent of the difference between the borrower's AGI and 100% of the HHS poverty guideline for the borrower's family size and state of residence.
- The other variant (Pay As You Earn), is the same as the IBR Plan in current Direct Loan regulations, except that when evaluating whether the borrower has a partial financial hardship, the Secretary will evaluate the borrower's 10-year standard repayment amount against and calculate a borrower's payment amount to be 10% of the difference between the borrower's AGI and 150% of the HHS poverty guideline for the borrower's family size and state of residence. ICR-A will only be available to Direct Loan borrowers who **(1)** have no outstanding balance on a Direct Loan or FFEL program loan as of October 1, 2007 or have no outstanding balance on a Direct Loan or FFEL program loan when obtaining a new loan on or after October 1, 2007, and **(2)** receive a disbursement of a Direct Subsidized Loan, Direct Unsubsidized Loan, or student Direct PLUS Loan on or after October 1, 2011, or receive a Direct Consolidation Loan based on an application received on or after October 1, 2011.

Regulations also require a borrower who wishes to repay under the IBR or ICR Plan to annually provide his or her loan holder with AGI by the Internal Revenue Service (IRS) to the loan holder. A borrower must also annually certify his or her family size.

If a borrower's AGI is not available, or if the borrower's loan holder believes that the borrower's current AGI does not reasonably reflect the borrower's current income, regulations provide that a loan holder may use alternative documentation of income provided by the borrower for purposes of determining whether the borrower has a partial financial hardship and calculating the IBR or ICR Plan monthly payment amount.

The Department is revising this collection to combine it with the IBR and ICR-related information on the Direct Loan Repayment Plan Selection Form (1845-0014) and the IBR/ICR Alternative Documentation of Income (1845-0016), and reflect the proposed Pay As You Earn variant. The revised collection also merges both forms that were associated with 1845-0102 into one form. The revised collection adds a variety of checkboxes and skip logic, which are intended to streamline the completion of the form, and help borrowers request the IBR or ICR Plan determine whether the loan holder requires specific information, e.g., a spouse's identifiers, to process the borrower's request. Through the combing of multiple forms and streamlining, the Department estimates that the amount of time necessary per respondent to complete the revised form has decreased from 1.33 hours to 0.33 hours. Therefore, though the number of respondents increasing is a natural consequence of combining multiple forms into one, there is a significant reduction in overall burden to respondents.

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 currently approved forms are used by borrowers to request the IBR or ICR Plan on their loans, and they also collect the information that is required for the Department to determine whether the borrower meets the eligibility requirements or repayment amount for the requested IBR or ICR Plan. The revised deferment request forms will continue to be used for these purposes.

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.

This collection will also be adapted for use on the Internet, so that borrowers may request the IBR, Pay As You Earn, or ICR Plan via the Department's StudentLoans.gov website, and import information regarding their income from the Internal Revenue Service, if available. At first, the adaptation will only cover certain loan holders and servicer who request to participate; however, it will later be expanded to include all loan holders (at their option). In the event that the borrower cannot import their income information from the Internal Revenue Service, the borrower will be able to complete the rest of the form electronically, print it, sign it, attach the necessary supporting documentation, and sent it to the borrower's loan holder.

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 already available from other sources that can be used to establish a borrower's eligibility or payment amount for an IBR, Pay As You Earn, or ICR Plan. However, by combing and streamlining multiple collections about the IBR, Pay As You Earn, and ICR Plan, borrowers will only need to complete one form for all loan holders, regardless of their circumstances.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden. A small entity may be (1) a small business which is deemed to be one that is independently owned and operated and that is not dominant in its field of operation; (2) a small organization that is any not-for-profit enterprise that is independently owned and operated and is not dominant in its field; or (3) a small government jurisdiction, which is a government of a city, county, town, township, school district, or special district with a population of less than 50,000.

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.

The frequency with which a borrower requests an IBR or ICR Plan is determined in accordance with statutory and regulatory requirements that are explained on the form. Less frequent data collection would not allow loan holders to process borrower requests for an IBR or ICR Plan.

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. As applicable, state that the Department has published the 60 and 30 Federal Register notices as 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 forms included with this submission were originally developed with input from schools, guaranty agencies, servicers, lenders, and borrower advocacy groups. In developing the revised forms included with this submission, the Department considered recommendations from its Direct Loan servicers.

A notice was published in the Federal Register on August 8, 2012 soliciting comment for 60 days. The Department received a number of comments, and accepted nearly all of the comments from the community. Another notice was published in the Federal Register on October 26, 2012 soliciting public comments for 30 days. The Department received a number of comments, and accepted most of the comments received.

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

No payments or gifts were or 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. If personally identifiable information (PII) is being collected, a Privacy Act statement should be included on the instrument. Please provide a citation for the Systems of Record Notice and the date a Privacy Impact Assessment was completed as indicated on the IC Data Form. A confidentiality statement with a legal citation that authorizes the pledge of confidentiality should be provided.<sup>2</sup> If the collection is subject to the Privacy Act, the Privacy Act statement is deemed sufficient with respect to confidentiality. If there is no expectation of confidentiality, simply state that the Department makes no pledge about the confidentiality of the data.

The form includes a Privacy Act Notice that (1) informs the borrower of the statutory authority for the information collection, (2) explains that providing the requested information is voluntary, but is required in order request an IBR, Pay As You Earn, or ICR Plan, and (3) identifies the third parties to whom the information collected on the form may be disclosed, and explains the circumstances under which such disclosures may occur.

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<sup>2</sup> Requests for this information are in accordance with the following ED and OMB policies: Privacy Act of 1974, OMB Circular A-108 – Privacy Act Implementation – Guidelines and Responsibilities, OMB Circular A-130 Appendix I – Federal Agency Responsibilities for Maintaining Records About Individuals, OMB M-03-22 – OMB Guidance for Implementing the Privacy Provisions of the E-Government Act of 2002, OMB M-06-15 – Safeguarding Personally Identifiable Information, OM:6-104 – Privacy Act of 1974 (Collection, Use and Protection of Personally Identifiable Information)

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 does not request 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 – businesses or other for-profit, private sector – not-for-profit institutions, farms, state, local or tribal governments), 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. All narrative should be included in item 12. 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 the ROCIS IC Burden Analysis Table. (The table should at minimum include Respondent types, IC activity, Respondent and Responses, Hours/Response, and Total Hours)
- 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.

Estimated annual number of respondents:		3,159,132
Number of responses per borrower:	x	1
Hours per response:	x	<u>0.33 hours (20 minutes)</u>
		1,042,514 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. Also, these estimates should not include the hourly costs (i.e., the monetization of the hours) captured above in Item 12

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.

There is no significant annualized cost to the Federal government. For the Direct Loan Program, the government's contracts with its Direct Loan servicers is not based on a fee-for-service model; rather, the Department pays its servicers based on performance metrics. For the FFEL Program, there is no significant cost associated with this collection, since FFEL Program loan holders distribute the forms, collect the information, and process the requests. The government incurs no additional cost merely as a result of this information collection.

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), type of collection (new, revision, extension, reinstatement with change, reinstatement without change) and include totals for changes in burden hours, responses and costs (if applicable).

The reported increase in burden associated with 1845-0102 is caused by two factors. The number of respondents is increasing for two reasons: (1) 1845-0102 is being combined with 1845-0014, to the extent that 1845-0014 contained information regarding the Income-Based and Income-Contingent Repayment Plans for the William D. Ford Federal Direct Loan (Direct Loan) Program and 1845-0016 and (2) an adjustment to account for a greater interest in both repayment plans and the expansion of the Direct Loan Program.

Through the combing of multiple forms and streamlining, the Department estimates that the amount of time necessary per respondent to complete the revised form has decreased from 1.33 hours to 0.33 hours. Therefore, though the number of respondents increasing is a natural consequence of combining multiple forms into one, there is a significant reduction in overall burden to respondents, which is masked by the increased population of respondents.

For example, if the Department was not combing 1845-0014 and 1845-0016 with 1845-0102, but the time per response was still reduced, there would be a reduction in burden hours of 705,540. Similarly, if the Department was combining 1845-0014 and 1845-0016 with 1845-0102, but there was no reduction in response time, there would be an increase in burden of 811,333 caused solely by the increase reporting population. However, because the Department is both combining multiple collections and streaming them, there is only an overall increase in burden of 105,793.

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 of information 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 83-1.