

**SUPPORTING STATEMENT**  
**FOR PAPERWORK REDUCTION ACT SUBMISSION**  
**PROGRAM COHORT DEFAULT RATE (pCDR)**

**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.

The Secretary proposed to amend the Student Assistance General Provisions by adding Subpart R to 34 CFR Part 668. Proposed Subpart R is new and mirrors Subpart N – Cohort Default Rates where applicable. Subpart R establishes a programmatic cohort default rate as one of the qualitative metrics for gainful employment (GE) program, whereas Subpart N establishes an institutional cohort default rate.

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 program cohort default rate is a measure the Department uses to determine the eligibility of a GE program under Subpart R of 34 CFR part. This subpart describes how program cohort default rates (pCDR) are calculated, some of the consequences of pCDRs, and how institutions may request changes to their pCDRs or appeal the consequences. Under this subpart, the institution submits a “challenge” after it receives its draft program cohort default rate, and the institution requests an “adjustment” or “appeal” after its official program cohort default rate is published.

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.

Institutions would use a combination of institutional systems and Departmental systems to report data to the Department and receive data from the Department.

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

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.

The current requirements avoid duplication. There is no similar information available that can be used or modified for this purpose at this time.

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.

Absent this proposed data collection, enrolled students and prospective students would not have sufficient information to make informed decisions about whether to start or continue in a particular GE program. Also, institutions would not have a method to challenge or adjust the underlying data used to calculate the pCDR and programs could lose eligibility and student could lose access to previously eligible programs without due process.

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.

The collection of this information will continue to be conducted in a manner that is consistent with the guidelines in 5 CFR 1320.6.

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 proposed regulations were developed through the Negotiated Rulemaking process where the public provided its input and in consultation with schools, and other affected entities. The comment period for the information collection package will run concurrently with the Notice of Proposed Rulemaking.

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 will be provided to the 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

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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)

there is no expectation of confidentiality, simply state that the Department makes no pledge about the confidentiality of the data.

The Department makes no pledge of confidentiality regarding the data.

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 Department is not requesting any sensitive data.

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.

Section 668.504(b) – Draft cohort default rates and your ability to challenge before official program cohort default rates are issued, incorrect data challenges.

Under proposed 668.504(b), the institution may challenge the accuracy of the data included on the Loan Record Detail Report (LRDR) by sending an incorrect data challenge to the relevant data manager(s) within 45 days of receipt of the LRDR from the Department. The challenge would include a description of the information in the LRDR that the institution believes is incorrect along with supporting documentation.

Based upon FY 2011 submissions, there were 353 institutional CDR challenges for incorrect data of a total of 510 challenges, requests for adjustments, and appeals, a 69 percent submission rate. Therefore 69 percent of the projected 1,863 challenges, adjustments, and appeals, or 1,285, are projected to be challenges for incorrect data.

We estimate that out of the likely 1,285 submissions, 1,182 (92 percent) would be from for-profit institutions. We estimate that the average institutional staff time needed to review a GE program's LRDR for each of these 1,182 programs and to gather and prepare incorrect data challenges would be 4 hours (1.5 hours for list review and 2.5 hours for documentation submission). This would increase burden by 4,728 hours.

We estimate that out of the likely 1,285 submissions, 39 (3 percent) would be from private non-profit institutions. We estimate that the average institutional staff time needed to review a GE program's LRDR for each of these 39 programs and to gather and prepare the challenges would be 4 hours (1.5 hours for list review and 2.5 hours for documentation submission). This would increase burden by 156 hours.

We estimate that, out of the likely 1,285 submissions, 64 (5 percent) would be from public institutions. We estimate that the average institutional staff time needed to review a GE program's LRDR for each of these 64 programs and to gather and prepare the challenges would be 4 hours (1.5 hours for list review and 2.5 hours for documentation submission). This would increase burden by 256 hours.

Collectively, this would increase burden by 5,140 hours under OMB Control Number NEW3.

Section 688.504(b) - New Burden:

# of Respondents	# of Responses	Hours/Response	Burden Hours
1,285	1,285	4	5,140

Section 668.504(c) – Draft cohort default rates and your ability to challenge before official program cohort default rates are issued, participation rate index challenges.

Under proposed 668.504(c), institutions may challenge an anticipated loss of title IV eligibility, if the institution's participation rate would be equal to or less than 0.0625 for any of the three pCDR fiscal years that where the pCDR is 30 percent or greater. A participation rate index challenge (and a participation rate index appeal for final rates, discussed below) could be submitted if the number of students who received title IV, HEA program loans during a one-year period was only a small percentage of those who were eligible to borrow.

Based upon FY 2011 submissions, there were 2 participation rate index challenges of the total 510 challenges, requests for adjustments, and appeals 0.4 percent. Therefore we project that there will be 4 participation rate challenges (0.4 percent of the projected 943 challenges, adjustments, and appeals). Note that we use 943 and not 1,863 because the

1,863 includes 920 programs with rates between 20.0 percent and 29.9 percent that are not subject to loss of eligibility and only the 943 failing programs that are subject to loss of eligibility can submit a participation rate index challenge.

Further, based upon GE program distribution percentages, we project that all 4 participation rate index challenges would be from for-profit institutions. Therefore, all of the estimated burden below would be to for-profit institutions and none to private non-profit or public institutions.

On average, we estimate that gathering and submitting the information for each participation rate challenge would take 2.0 hours per submission. Therefore, burden would increase by 8 hours (4 participation rate index challenges times 2 hours per submission) under OMB Control Number 1845-NEW3.

The total increase in burden for §668.504 would be 5,148 hours under OMB Control Number 1845-NEW3.

Section 688.504(c) - New Burden:

# of Respondents	# of Responses	Hours/Response	Burden Hours
4	4	2	8

Section 668.509 - Uncorrected data adjustments.

An institution may request an uncorrected data adjustment for the most recent cohort of borrowers used to calculate a GE program's most recent official pCDR, if in response to the institution's incorrect data challenge, a data manager agreed to change data but the changes were not reflected in the official pCDR.

Based upon FY 2011 submissions, there were 116 uncorrected data adjustments of the total 510 challenges, requests for adjustments, and appeals. Therefore, 23 percent of the projected 943 challenges, adjustments, and appeals (based on possible loss of eligibility) or 217 are projected to be uncorrected data adjustments. We estimate that the average institutional staff time needed is 1 hour for list review and 0.5 hours for documentation submission, for a total of 1.5 hours.

We estimate that 200 (92 percent) of the 217 projected uncorrected data adjustments will be from for-profit institutions. Therefore, burden would increase at for-profit institutions by 300 hours (200 adjustments times 1.5 hours) under OMB Control Number 1845-NEW3.

We estimate that 6 (3 percent) of the 217 projected uncorrected data adjustments would be from private non-profit institutions. Therefore, burden would increase at private non-profit institutions by 9 hours (6 adjustments times 1.5 hours) under OMB Control Number 1845-NEW3.

We estimate that 11 (5 percent) of the 217 projected uncorrected data adjustments would be from public institutions. Therefore, burden would increase at public institutions by 17 hours (11 adjustments times 1.5 hours) under OMB Control Number 1845-NEW3.

The total increase in burden for §668.509 would be 326 hours under OMB Control Number 1845-NEW3.

Section 688.509 - New Burden:

# of Respondents	# of Responses	Hours/Response	Burden Hours
217	217	1.5	326

Section 668.510 – New data adjustments.

An institution could request a new data adjustment for the most recent cohort of borrowers used to calculate the most recent official pCDR for a GE program, if a comparison of the LRDR for the draft rates and the LRDR for the official rates show that data have been newly included, excluded, or otherwise changed and the errors are confirmed by the data manager.

Based upon FY 2011 submissions, there were 12 new data adjustments of the total 510 challenges, requests for adjustments, and appeals. Therefore, 2 percent of the projected 943 challenges, adjustments, and appeals (based on possible sanction) or 19 are projected to be new data adjustments. We estimate that the average institutional staff time needed is 3 hours for list review and 1 hour for documentation submission, for a total of 4 hours.

We estimate that 17 (92 percent) of the 19 projected new data adjustments would be from for-profit institutions. Therefore, burden would increase at for-profit institutions by 68 hours (17 adjustments times 4 hours) under OMB Control Number 1845-NEW3.

We estimate that 1 (3 percent) of the 19 projected new data adjustments would be from private non-profit institutions. Therefore, burden would increase at private non-profit institutions by 4 hours (1 adjustment times 4 hours) under OMB Control Number 1845-NEW3.

We estimate that 1 (5 percent) of the 19 projected new data adjustments would be from public institutions. Therefore, burden would increase at public institutions by 4 hours under (1 adjustment times 4 hours) OMB Control Number 1845-NEW3.

The total increase in burden for §668.510 would be 76 hours under OMB Control Number 1845-NEW3.

Section 688.510 - New Burden:

# of Respondents	# of Responses	Hours/Response	Burden Hours
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19 19 4 76

Section 668.512 Loan Servicing appeals.

An institution could appeal the calculation of a pCDR on the basis of improper loan servicing or collection only if the borrower did not make a payment on the loan and the institution can prove that the servicer failed to perform required loan servicing or collections activities.

Based upon FY 2011 submissions, there were 19 loan servicing appeals of the total 510 challenges, requests for adjustments, and appeals. Therefore, 4 percent or 38 of the projected 943 challenges, adjustments, and appeals are projected to be loan servicing appeals. We estimate that, on average, to gather, analyze, and submit the necessary documentation, each appeal would take 3 hours.

We estimate that 35 (92 percent) of the 38 projected loan servicing appeals would be from for-profit institutions. Therefore, burden would increase at for-profit institutions by 105 hours (35 servicing appeals times 3 hours) under OMB Control Number 1845-NEW3.

We estimate that 1 (3 percent) of the 38 projected loan servicing appeals would be from private non-profit institutions. Therefore, burden would increase at private non-profit institutions by 3 hours (1 servicing appeal times 3 hours) under OMB Control Number 1845-NEW3.

We estimate that 2 (5 percent) of the 38 projected loan servicing appeals would be from public institutions. Therefore, burden would increase at public institutions by 6 hours (2 servicing appeals times 3 hours) under OMB Control Number 1845-NEW3.

The total increase in burden for §668.512 would be 114 hours under OMB Control Number 1845-NEW3.

Section 688.512 - New Burden:

# of Respondents	# of Responses	Hours/Response	Burden Hours
38	38	3	114

Section 668.513 - Economically disadvantaged appeals.

An institution could appeal a notice of a sanction under §668.410 or a notice of a second successive official pCDR that is equal to or greater than 30 percent if an independent auditor certifies that the low income rate for the GE program is two-thirds or more and the program is a degree program with a completion rate of 70 percent or more or, if the program is not a degree program, its placement rate is 44 percent or more.



Based upon FY 2011 submissions, there were 6 economically disadvantaged appeals of the total 510 challenges, requests for adjustments, and appeals. Therefore 9 (1 percent) of the projected 943 challenges, adjustments, and appeals are projected to be economically disadvantaged appeals. We estimate that preparing and submitting an economically disadvantaged appeal would take an institution 5 hours for each program.

We estimate that 8 (92 percent) of the 9 projected economically disadvantaged appeals would be from for-profit institutions. Therefore, burden would increase at for-profit institutions by 40 hours (8 programs times 5 hours) under OMB Control Number 1845-NEW3.

We do not project any economically disadvantaged appeals from the private non-profit institutions.

We estimate that 1 (5 percent) of the 9 projected economically disadvantaged appeals would be from public institutions. Therefore, burden would increase at public institutions by 5 hours (1 program times 5 hours) under OMB Control Number 1845-NEW3.

The total increase in burden for §668.513 would be 45 hours under OMB Control Number 1845-NEW3.

Section 688.513 - New Burden:

# of Respondents	# of Responses	Hours/Response	Burden Hours
9	9	5	45

Section 668.514 Participation rate index appeals.

An institution could appeal a notice of loss of title IV eligibility under §668.410 based upon two pCDRs of 30 percent or greater if the participation rate index for that GE program is equal to or less than 0.0625 for any of those three program cohort's fiscal years. A participation rate index appeal (and a participation rate index challenge for draft rates, discussed above) could be submitted if the number of students who received title IV, HEA program loans during a one-year period was only a small percentage of those who were eligible to borrow.

Based upon FY 2011 submissions, there were 2 participation rate index appeals of the total 510 challenges, requests for adjustments, and appeals. Therefore 0.4 percent of the projected 943 challenges, adjustments, and appeals or 4 are projected to be participation rate index appeals. On average, we estimate that gathering and submitting the information for each appeal would take 2 hours per submission.

We estimate that all 4 projected participation rate index appeals would be from for-profit institutions. Therefore, the total increase in burden for §668.514 would be 8 hours (4 participation rate index appeals times 2 hours) under OMB Control Number 1845-NEW3.

Section 688.514 - New Burden:

# of Respondents	# of Responses	Hours/Response	Burden Hours
4	4	2	8

SUMMARY:

Currently Approved Numbers:

# of Respondents	# of Responses	Hours/Response	Burden Hours
0	0		0

New Burden:

Section 688.504 - New Burden:

# of Respondents	# of Responses	Hours/Response	Burden Hours
1,289	1,289		5,148

Section 688.509 - New Burden:

# of Respondents	# of Responses	Hours/Response	Burden Hours
217	217		326

Section 688.510 - New Burden:

# of Respondents	# of Responses	Hours/Response	Burden Hours
19	19		76

Section 688.512 - New Burden:

# of Respondents	# of Responses	Hours/Response	Burden Hours
38	38		114

Section 688.513 - New Burden:

# of Respondents	# of Responses	Hours/Response	Burden Hours
9	9		45

Section 688.514 - New Burden:

# of Respondents	# of Responses	Hours/Response	Burden Hours
4	4		8

Revised Numbers Requested:

# of Respondents	# of Responses	Hours/Response	Burden Hours
1,576	1,576		5,717

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

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

Discussions with institutional representatives related to estimated costs for the surveys or use of State sponsored data systems would be conducted after the NPRM is published and prior to the final regulation's publication to inform the cost estimate.

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 cost to the federal government will be determined following the discussions above that occur after the NPRM and prior to the final regulations' publication.

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).

This is a new information collection due to program changes that are a result of the addition of Subpart R of 34 CFR Part 668. The program changes are due to agency discretion upon completion of Negotiated Rulemaking sessions.

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.