

SUPPORTING STATEMENT

FOR PAPERWORK REDUCTION ACT SUBMISSION

PLUS Adverse Credit Extenuating Circumstance Reconsideration Loan Counseling

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 section¹. 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 428B(a)(1)(A) of the Higher Education Act of 1965, as amended (HEA), provides that to be eligible to receive a Federal PLUS Loan under the Federal Family Education Loan (FFEL) Program, the applicant must not have an adverse credit history, as determined pursuant to regulations promulgated by the Secretary. In accordance with section 455(a)(1) of the HEA, this same eligibility requirement applies to applicants for PLUS loans under the Direct Loan Program. Since July 1, 2010 there have been no new FFEL Program loans originated and the Direct Loan Program is the only Federal loan program that offers Federal PLUS Loans.

The adverse credit history section of the eligibility regulations in 34 CFR §685.200 (b) and (c) have not been updated since the Direct Loan program was established in 1994. Because these regulations have become outdated, and as a result of November 2011 operational changes, the Department of Education (the Department) determined that it would be appropriate to update these regulations. Specifically that an applicant for a PLUS loan who is determined to have an adverse credit history but who documents to the Secretary of Education's (Secretary) satisfaction that extenuating circumstances exist must complete loan counseling offered by the Secretary before receiving the Federal PLUS loan. The proposed regulations in the Notice of Proposed Rulemaking (NPRM), docket identification number ED-2014-OPE-0082, would update the requirements to reflect this change.

The Department is requesting a new information collection to reflect the changes to the adverse credit history regulations in 34 CFR §685.200 (b) and (c) and the burden these changes would create for Federal PLUS loan borrowers, both parent and graduate/professional students.

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.

¹ Please limit pasted text to no longer than 3 paragraphs.

The information in this new collection would be used by the Department to confirm that either the parent or graduate/professional student borrower has successfully demonstrated to the Secretary that they have completed the required loan counseling component of the adverse credit history extenuating circumstances determination. Upon this final determination of extenuating circumstance and the successful completion of the designated loan counseling, the PLUS loans would be approved for origination to the borrower.

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 proposed regulations in the Notice of Proposed Rulemaking (NPRM), docket identification number ED-2014-OPE-0082, include a request that the public provide comments on the types of information, including improving consumer information that should be included in the required Departmental loan counseling. While the method of providing the loan counseling has not been finalized, we believe that, at a minimum, the counseling would be available through a Departmental web site to which institutions may provide a link to potential borrowers under the adverse credit extenuating circumstances provision.

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.

This proposed loan counseling may include similar information currently provided in the required entrance counseling for student borrowers, including first-time graduate/professional student PLUS borrowers. However, currently there is no statutory requirement for parent PLUS borrowers loan counseling. This proposed counseling would only be required for PLUS borrowers who have had a determination of adverse credit and submitted documentation acceptable to the Secretary illustrating extenuating circumstances.

While the counseling has not been finalized, pending receipt of public comment on the content as requested in the NPRM docket identification number ED-2014-OPE-0082, we believe that this counseling will be designed for mature borrowers, including graduate/professional students and parent PLUS borrowers of undergraduate dependent students, who have had more experience with loans and financing.

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 collection, the PLUS borrower would not be in compliance with the proposed regulations and would be unable to receive PLUS loan financial assistance to which they would otherwise be eligible.

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 be conducted in a manner that is consistent with the guidelines 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 proposed regulations that support this information collection were developed through the Negotiated Rulemaking process where the affected entities and the general public provided input.

While these negotiations did not result in consensus, the regulatory language regarding the PLUS adverse credit issue received tentative consensus and proposed language reflects that tentative agreement.

The comment period for this 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 payment 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.² 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 collection of privacy protected information (PII) is required under the NPRM however no assurance of confidentiality is provided to respondents.

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,

² 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)

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.

The current regulations allow PLUS applicants (parents and graduate/professional students) that have been denied a PLUS loan due to adverse credit history determination to submit documentation of extenuating circumstances to the Secretary and request reconsideration of the loan application. The proposed regulations would require that a PLUS applicant who is determined to be eligible for a PLUS loan after reconsideration complete loan counseling offered by the Secretary.

We estimate that during the 2013-14 award year there were 785,734 PLUS loan denials. Our records indicate that of those PLUS loan denials, 147,400 PLUS loans were approved after reconsideration based on extenuating circumstances. While the total number of submissions for extenuating circumstance reconsideration (approved and disapproved) is not available at this time, we estimate that the total number of approved extenuating circumstances reconsideration requests divided by 90 percent approximates the total number ($147,400/90\% = 163,778$).

We estimate that on average, each borrower's (parent or graduate/professional student) submission of documentation for the Secretary's consideration would take 1 hour per

submission for a total of 163,778 hours of burden under OMB Control Number 1845-NEW1 (163,778 PLUS loan extenuating circumstance reconsiderations submitted times 1 hour = 163,778 hours).

We separately estimate the burden associated with improving consumer information for PLUS borrowers who request reconsideration of the adverse credit determination using extenuating circumstances.

Our records indicate that during the 2013-14 award year there were 43,186 graduate/professional PLUS loans initially denied but approved through the extenuating circumstances reconsideration. Since all graduate/professional students are currently required to undergo loan entrance counseling, we estimate that the augmentation of current counseling requirements to add the expanded consumer information component as a part of the reconsideration process would, on average, increase loan counseling by .17 hours (10 minutes) for each effected graduate/professional PLUS loan applicant for a total of 7,342 hours of burden under OMB Control Number 1845-NEW1 (43,186 graduate/professional PLUS loan applicant times .17 hours= 7,342 hours).

Our records indicate that during the 2013-14 award year there were 104,214 parent PLUS loans initially denied but approved through the extenuating circumstances reconsideration. There is no equivalent entrance counseling for parent PLUS borrowers. Therefore, we estimate that the burden for the parent PLUS loan counseling would be much more extensive under this new regulatory requirement. We estimate on average that it would take each parent PLUS borrower .75 hours (45 minutes) to complete the loan counseling component of the extenuating circumstances reconsideration process for a total of 78,161 hours of burden under OMB Control Number 1845-NEW1 (104,214 parent PLUS loan borrowers times .75 hours = 78,161 hours).

Overall, burden would increase by 249,281 hours under Control Number 1845-NEW1.

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) :
Total Annualized Costs Requested : _____

There are no capital/startup costs to respondents.

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.

We estimate that the additional requirements to augment current loan counseling to be minimal, however, once all the public comments are considered, this estimate could change.

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 request for a new information collection. The increase in burden is a result of the proposed regulatory language implementing changes in 34 CFR § 685.200 as noted in the Notice of Proposed Rulemaking, docket identification number ED-2014-OPE-0082. The increase burden is due to the expansion of the requirements of the extenuating circumstances process for borrowers who have been denied a PLUS loan due to an

adverse credit determination and who request reconsideration of the loan denial determination.

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 83-1.