

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 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.

The Department is seeking OMB approval of a Third Party Servicer Data Form to be used to validate the information reported to the Department by higher education institutions regarding third party servicers that administer one or more aspects of the administration of the Title IV, HEA programs on an institution's behalf and to collect additional information required for effective oversight of these entities. This is a new request for collection.

Title IV eligible institutions of higher education are required to notify the Secretary of its third party servicer relationships via the institution's Application for Approval to Participate in the Federal Student Financial Aid Programs (E-App). In addition to the name and address of the servicer, the E-App requires institutions to report the name and phone number of the servicer's contact person as well as identify the services performed on behalf of the institution in section J of the E-App. The Department has determined through data analysis, research, program reviews, and audits that a significant number of higher education institutions have failed to report, update, and/or have incorrectly reported third party servicer information on the E-App. As a result, information contained in the Department's databases regarding third party servicer contacts, demographics, client lists, and/or the services provided to higher education institutions is inconsistent and inaccurate. Therefore, the Department is unable to rely on the information reported by institutions to provide appropriate oversight of the entities performing work on behalf of Title IV eligible institutions.

The information collected through the Third Party Servicer Data form will allow the Department to identify institutions of higher education that are failing to report or incorrectly reporting third party servicer information via the E-App; to monitor and enforce third party servicer compliance with annual audit requirements pursuant to 34 C.F.R. § 668.25(c), to identify other persons or organizations that contract with a third party servicer to assist with any aspect the administration of a Title IV program on behalf of the third party servicer or its clients, and to effectively coordinate third party servicer program review assessments.

The Higher Education Act of 1965, as amended, allows institutions of higher education to outsource any aspect of the institution's participation in any Title IV, HEA program. A third

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

party servicer is defined as any individual or entity that contracts with or performs work on behalf of an institution to administer, through manual or automated processing, any aspect of an institution's responsibilities required under the Title IV, HEA programs. 34 C.F.R. § 668.2 (definition of third party servicer).

Higher education institutions are required to notify the Secretary within 10 days of the date that:

- (1) the institution enters into a new contract or significantly modifies an existing contract with a third party servicer to administer any aspect of that program;
- (2) the institution or a third party servicer terminates a contract for the servicer to administer any aspect of that program; or
- (3) a third party servicer that administers any aspect of the institution's participation in that program stops providing services for the administration of that program, goes out of business, or files a petition under the Bankruptcy Code.

The institution's notification must include the name and address of the servicer. See 34 C.F.R. § 668.25(e)(1).

The Title IV, HEA regulations authorize the Department to provide oversight of third party servicers. A third party servicer is subject to the highest standard of care and diligence in administering any aspect of the programs on behalf of the institutions with which the servicer contracts and in accounting to the Secretary and those institutions for any funds administered by the servicer under those programs. 34 C.F.R. § 668.82(b)(2).

When contracting with an institution, a servicer and/or its contractors essentially steps into the shoes of that institution with respect to its compliance with the various requirements relevant to the Title IV, HEA functions it is servicing. A servicer is jointly and severally liable with the institution for any violation of Title IV, HEA requirements resulting from the functions performed by the servicer. 34 C.F.R. § 668.25(c)(3).

The failure of a third party servicer to administer a Title IV, HEA program, or to account for the funds that the institution or servicer receives under that program, in accordance with the highest standard of care and diligence required of a fiduciary, constitutes ground for the Department to:

- (1) Seek an emergency action against the servicer;
- (2) Impose a fine against the servicer; or
- (3) Limit, suspend, or terminate the servicer's eligibility to contract with any institution to administer any aspect of the institution's participation in that program.

34 C.F.R. § 668.82(c)(2).

A third party servicer violates its fiduciary duty if the servicer uses or contracts in a capacity that involves any aspect of the administration of the Title IV, HEA program with any other person, agency, or organization that has been or whose officers or employees have been convicted of, or pled nolo contendere or guilty to, a crime involving the acquisition, use, or expenditure of Federal, State, or local government funds; or administratively or judicially determined to have committed fraud or any other material violation of law involving Federal, State, or local government funds. 34 C.F.R. § 668.82(d)(1)(i)(D).

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.

Third Party Servicers that contract with Title IV eligible institutions to administer any aspect of an institution's responsibilities required under the Title IV, HEA programs will be required to complete the Third Party Servicer Data Form. Hard copy forms will be sent to Third Party Servicers currently listed in Department databases and will also be available to download from the Information for Financial Aid Professionals (IFAP) web-site. Servicers will be instructed to submit the form to the Third Party Servicer Oversight Group/Kansas City School Participation Division by e-mail or regular mail.

The Third Party Servicer Oversight Group will compare the information collected on the Third Party Servicer Data Form to the information maintained in the Department's Postsecondary Education Participants System (PEPS) database and update the servicer's contact and demographic information in the system as needed. Higher Education institutions that failed to report or terminate third party servicer relationships will be notified to update the E-App to accurately reflect the institution's relationship with the servicer(s). The Third Party Servicer Oversight Group will enter the information collected on the form into an Access database utilized by the Third Party Servicer Oversight Group to track program review and audit activities. The information collected will provide essential data needed to monitor third party servicer compliance with annual audit requirements, as well as more reliable data for risk analysis and program reviews.

The information collected will be utilized to populate third party servicer information during data migration when the Department's Integrated Partner Management (IPM) system is implemented. IPM is currently scheduled for deployment the end of 2015 and will replace and/or integrate with a number of Department systems currently utilized, including PEPS.

The Third Party Servicer Oversight Group will work with the Department's Policy Liaison and Implementation staff to issue an electronic announcement to the Higher Education community to communicate the requirement for third party entities to comply with this request.

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.

Based on the comments received during the 60 day comment period, the format of the form was revised to allow respondents to type and save responses. Respondents will be able to submit the form as an e-mail attachment or print and submit the form via standard mail delivery. Once the IPM system is fully implemented, respondents will be required to enter and/or update the information through the partner portal that will reside in the IPM system. The IPM system data justification will be submitted through a separate OMB approval process.

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 Department does not currently have a mechanism in place to collect the information needed for effective oversight directly from the entities that partner with eligible higher education institutions to perform Title IV related functions. The minimal amount of third party servicer information that is collected from higher education institutions through the E-App process has been determined to be inaccurate, inconsistent, and limited in scope.

In addition, the Department has received notification from institutions indicating that some servicers have instructed institutions to not report an entity as a third party servicer creating confusion in the community regarding who should or should not be reported as a third party servicer. As a result, the Department has been unable to rely on the information reported by higher education institutions to determine servicer compliance with audit requirements and/or to contact servicers for purposes of scheduling program reviews or responding to inquiries.

Reliance solely on data reported from higher education institutions has restricted the Department's ability to ensure third party servicers are complying with the statutes and regulations the Department has been tasked with overseeing. Requiring third party servicers to complete and submit the information contained on the Third Party Servicer Data form will equip the Department with the information necessary to effectively provide required oversight. Approval of this data collection tool will allow the Department to request and obtain vital information directly from entities that have been identified as third party servicers regardless of whether or not the servicer has been identified through the E-App process.

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.

As stated previously, reliance solely on data reported from higher education institutions has restricted the Department's ability to ensure third party servicers are complying with the statutes and regulations the Department has been tasked with overseeing. The Department must be able to easily identify and contact any entity that is involved in the administration of Title IV programs on behalf of a Title IV eligible institution or the students it serves. The Department

must have a method to validate the information reported by higher education institutions and to resolve discrepancies when one or more entities report incorrect or conflicting information.

Absent a data collection tool to request pertinent information from third party servicers that contract with Title IV eligible institutions to perform one or more Title IV related functions, the Department lacks adequate information that is necessary to ensure compliance with the laws, regulations, and policies that govern the programs. Failure to collect this information jeopardizes the Department's ability to fulfill its fiduciary responsibility of safeguarding taxpayer interest and ensuring all participants in the system of funding postsecondary education serve the interests of students.

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.

Entities will be required to submit the initial Third Party Servicer Data Form within, but no later than, 30 days after receiving notification of the requirement. Consistent with the requirements of higher education institutions pursuant to 34 C.F.R. § 668.25(e)(1), third party servicers will be required to submit revised information within 10 days of the date:

- The entity changes its name;
- The entity changes the address or contact information for a primary location or additional location;
- The entity adds or terminates a contract with an eligible Title IV institution; or
- The entity buys, sells, or merges with another third party servicer.

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.

We published the 60-day Federal Register Notice inviting public comment. Comments were received from two external entities. The form was updated based on the comments received. A description of the updates made to the form and the Department’s response to the general comments submitted are included as an attachment to this filing. This notice is the final 30-day Federal Register Notice inviting public comment.

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

No gifts or payments will be provided to any 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 Department makes no pledge about the confidentiality of 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,

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 collecting 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.

The Department anticipates an initial response of approximately 600 third party servicers based on the initial mailing. Of the 600, the Department anticipates that 400 respondents will be for-profit servicers, 100 respondents will be not-for-profit servicers, 50 respondents will be State servicers and 50 respondents will be individuals. The Department estimates that it will take an average of 75 minutes to complete the Third Party Servicer Data Form and return it to the Department.

Therefore, the Department estimates the total burden for this information collection to be 750 hours.

Type of Respondent	Number of Responses	Time/Response	Total Time
For-profit servicer	400	90 minutes	36,000 minutes
Not-for-profit servicer	100	60 minutes	6,000 minutes
State agencies	50	30 minutes	1,500 minutes
Individuals	50	30 minutes	1,500 minutes
Total for new collection	600	75 minutes (weighted average)	45,000 minutes or 750 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

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

There are no additional costs. There are no systems requirements 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.

There are no additional costs to the Federal government.

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 program change due to agency discretion. This new information collection will provide necessary information on third party servicers who provide Title IV, HEA services to eligible institutions and allow the Department to maintain oversight of the servicers and protect the interests of eligible institutions, eligible students and taxpayers.

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 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.