

## SUPPORTING STATEMENT

### Federal Direct Consolidation Loan Program Application Documents

OMB No. 1845-0053

#### A. Justification

**1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.**

The Student Loan Reform Act of 1993, enacted on August 10, 1993, established the William D. Ford Federal Direct Loan (Direct Loan) Program under Title IV, Part D, of the Higher Education Act of 1965, as amended (the HEA). This legislation authorized the Federal Direct Consolidation Loan Program, which allows eligible borrowers to consolidate certain federal education loans into a Federal Direct Consolidation Loan (Direct Consolidation Loan). A Direct Consolidation Loan may allow a borrower to extend the period for repaying a loan, and in some cases may provide the borrower with a lower fixed interest rate. In addition, borrowers with loans made under the Federal Family Education Loan (FFEL) Program may consolidate their loans into a Direct Consolidation Loan to take advantage of certain benefits and repayment options that are available only in the Direct Loan Program. The regulations governing Direct Consolidation Loans are contained in 34 CFR 685.220.

34 CFR 685.220(e) requires a borrower who wishes to receive a Direct Consolidation Loan to submit a completed application to the Department of Education (ED). The processing of a borrower's consolidation application involves the three forms that are described in Item 2 of this Supporting Statement.

ED is requesting a revision of the currently approved collection. The proposed changes include the following:

- Adding information about the new Revised Pay As you Earn Repayment Plan (REPAYE Plan) that was established by final regulations published on October 30, 2015 (80 FR 67204).
- Revising the information provided about the interest rate limit under the Servicemembers Civil Relief Act to more clearly explain how this benefit is applied.
- Revising the descriptions of the Pay As You Earn Repayment Plan (PAYE Plan), the Income-Based Repayment Plan (IBR Plan), and Income-Contingent Repayment Plan (ICR Plan) for greater clarity and to provide more detailed information about the terms and conditions of these plans.
- In various places, revising language to present information more clearly and concisely.

**2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.**

ED has used the collection of information on the previously approved consolidation forms to make Direct Consolidation Loans to applicants. The collection of information on the revised forms included in this package continues to be necessary and will be used for the same purpose. There are three consolidation loan forms that are used as follows:

- Federal Direct Consolidation Loan Application and Promissory Note (Note), with Additional Loan Listing Sheet. The Note collects information about the loans that a borrower wants to consolidate and other information needed by ED to process a borrower's application for a Direct Consolidation Loan. It also provides the borrower with information about the terms and conditions of a Direct Consolidation Loan, and serves as the borrower's legally binding agreement to repay the loan. A borrower may obtain a Note from an ED website or by contacting one of ED's four federal loan servicers that originate Direct Consolidation Loans. A borrower may complete and return a paper copy of the Note by mail, or may complete and submit the Note electronically on our website.

Instructions for completing the Note are provided in an accompanying document that is included with this submission.

The Additional Loan Listing Sheet is simply an extension of the Note that may be used by an applicant if there is insufficient space on the Note to list all of the loans that the applicant does or does not want to consolidate.

- Federal Direct Consolidation Loan Verification Certificate (LVC). The LVC is used to confirm that a borrower's loans are eligible for consolidation, and to verify the current payoff amount of each loan. Once a borrower's application and promissory note has been processed, ED sends an LVC to the loan holder or loan servicer of each loan that the borrower wants to consolidate. After completing the LVC, the loan holder/servicer returns the form to ED. Most loan holders/servicers provide the LVC information to ED electronically via our website or a batch process.
- Federal Direct Consolidation Loan Request to Add Loans (Request to Add Loans). The Request to Add Loans may be used by borrowers to add additional loans to a Direct Consolidation Loans after the application and promissory note has been submitted, or up to 180 days after a Direct Consolidation Loan has been made.

**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.**

ED continues to maximize the use of available information technology in making Direct Consolidation Loans. The Note, LVC, and Request to Add Loans are all available on our website in PDF format for respondents to download, complete, and submit to us. In addition, respondents may complete the Note and the LVC electronically.

*Application and Promissory Note*

Since July 2001, Direct Consolidation Loan applicants have had the option of completing the entire Note – including signing it – electronically on our website. Approximately 99% of Direct Consolidation Loan applicants complete and submit the Note electronically on our website.

For borrowers who complete and submit the Note electronically on ED's website, and in some cases for borrowers who download the Note in PDF format from our website, ED prepopulates the Borrower Information section, the Loans You Want to Consolidate section, and the Loans You Do Not Want to Consolidate section using existing information about the borrower and the borrower's loans in our loan servicing systems and/or the National Student Loan Data System (NSLDS). The instructions for completing the Note inform borrowers that some of the information in these sections may have been completed for them. Prepopulating portions of the Note significantly reduces burden on applicants, since they only have to review the preprinted information for completeness and accuracy and make any necessary changes (e.g., correcting information or indicating that they do not want to consolidate a loan listed in the Loans You Want to Consolidate section).

*LVC*

All loan holders/servicers have the option of completing the LVC electronically. They may do this **(1)** by completing and returning an LVC for each applicant via our website for loan holders/servicers or **(2)** by completing and returning LVCs for multiple applicants through a batch process. Both electronic processes reduce burden for loan holders/servicers by providing a more convenient, efficient and expedient way to complete and return the required LVCs. Approximately 90% of LVCs are completed electronically.

**4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.**

A thorough review of procedures indicates that current requirements are minimal and avoid duplication. There is no similar information available that can be used or modified for these purposes at this time.

**5. If the collection of information impacts small businesses or other small entities (Item 8b of IC Data Part 2), describe any methods used to minimize burden.**

No small businesses are impacted by this 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 Note and the LVC will be completed by an applicant or a loan holder/servicer one time for each Direct Consolidation Loan.

The Request to Add Loans will be completed by a borrower only when the borrower wants to request that one or more loans not included on the original application and promissory note be added to the borrower's Direct Consolidation Loan, either before the loan is made or within 180 days of the date the loan is made.

If the information requested on these forms were not collected, borrowers would not be able to take advantage of the benefits offered by Direct Consolidation Loans, as described in Item 1 of this supporting statement.

**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), with one exception. The verification certificate must be completed and returned by the loan holder/servicer within 10 business days of the date received. This deadline is established in 34 CFR 685.220(f)(1)(i).

**8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency’s notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.**

**Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instruction and record keeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.**

**Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years – even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.**

ED solicited suggestions from ED’s federal loan servicers and ED staff involved in processing Direct Consolidation Loan applications for ways to make the currently approved forms easier to use. As part of the paperwork clearance process, a notice was published in the Federal Register on December 16, 2015 (80 FR 79037) inviting the public to comment on the proposed revised Direct Consolidation Loan forms during an initial 60-day comment period. No public comments were received. However, the Department has made minor changes to the forms in response to recommendations from the Department’s federal loan servicers. A second Federal Register Notice will be published inviting the public to comment on the further revised Direct Consolidation Loan forms.

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

No payments or gifts will be provided to respondents.

**10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.**

The Note and Request to Add Loans include a Privacy Act Notice that **(1)** informs the respondent of the statutory authority for the information collection; **(2)** explains that disclosure of the requested information is voluntary, but is required in order for ED to process the request for a Direct Consolidation Loan; and **(3)** identifies the third parties to whom the information may be disclosed, and explains the circumstances under which such disclosures may occur.

**11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. The justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.**

The Direct Consolidation Loan forms do not request any sensitive information.

**12. Provide estimates of the hour burden of the collection of information. The statement should :**

- **Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.**
- **If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in item 16 of IC Data Part 1.**
- **Provide estimates of annualized cost to respondents of the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.**

The total estimated annual reporting hour burden for this collection is approximately 817,429 hours. This represents the total of the burden estimates for the hour burden for the Note, the LVC, and the Request to Add Loans. We calculated the burden estimate for each form as follows:

*Note (includes Additional Loan Listing Sheet)*

Respondents	852,957
Responses	x 1
Hours per response	x 0.5 (30 minutes)
Annual reporting burden	<hr/> 426,479 hours

LVC

Respondents	2,000
Responses	x 1,279
	(average # of responses – see below)
Hours per response	x 0.15 (9 minutes)
Annual reporting burden	<hr/> 383,700 hours

NOTE: Each Direct Consolidation Loan application averages three different loan holders/servicers. This means that an average of three LVCs will be generated for each Direct Consolidation Loan, for a total of 2,558,871 responses (3 x 852,957 = 2,558,871). There are approximately 2,000 loan holders/servicers. The average number of responses was obtained by dividing the total number of responses by the number of respondents:

$$2,558,871 \div 2,000 = 1,279$$

*Request to Add Loans*

Respondents	42,648
	(5% of the # of respondents for the Note)
Responses	x 1
Hours per response	x 0.17 (10 minutes)
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Annual reporting burden

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7,250 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.

**Total Annualized Capital/Startup Cost:**

**Total Annual Costs (O&M):**

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**Total Annualized Costs Requested:**

There are no capital/startup costs to respondents, nor are there any annual costs to respondents associated with operating or maintaining systems or purchasing services.



**14. Provide estimates of annualized cost to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.**

There is no annual cost to the Federal government associated with the paper versions of the Direct Consolidation Loan forms, as the Department does not print and distributed the paper versions. Individuals who wish to complete the paper forms may download and print them from ED's website.

It is not possible to provide annualized costs associated with the implementation of the electronic versions of the Direct Consolidation Loan forms. The terms of the Department's contract with the entities that are responsible for processing Direct Consolidation Loan applications does not provide for itemization of costs associated with specific functions.

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

ED is reporting an increase of 242,329 hours as an adjustment, due to an increase in the number of individuals completing the Direct Consolidation Loan Application and Promissory Note. Although it is not possible to definitively explain the reason for the increase in the number of respondents, it may be attributable to an increase in the number of borrowers with loans made under the FFEL Program who wish to consolidate their loans to take advantage of certain benefits that are available only for Direct Loans, such as the Public Service Loan Forgiveness Program and the Pay As You Earn Repayment Plan.

**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.**

ED is not seeking this approval.

**18. Explain each exception to the certification statement identified in the Certification of Paperwork Reduction Act.**

ED is not requesting any exceptions to the "Certification for Paperwork Reduction Act Submissions" of OMB Form 83-I.

**B. Collection of Information Employing Statistical Methods**

This collection of information does not employ any statistical methods.