

On July 6, 2012, the President signed the Moving Ahead for Progress in the 21st Century Act (MAP-21) into law. MAP-21 included two changes to the William D. Ford Federal Direct Loan (Direct Loan) Program. Specifically, MAP-21 amended section 455 of the Higher Education Act of 1954, as amended (HEA) to extend the 3.4 percent fixed interest rate that applies to Direct Subsidized Loans made to undergraduate students to loans for which the first disbursement is made before July 1, 2013. Second, the law placed a limit on Direct Subsidized Loan eligibility for new borrowers on or after July 1, 2013. Specifically, a new borrower on or after July 1, 2013 is no longer eligible to receive additional Direct Subsidized Loans if the period during which the borrower has received such loans exceeds 150 percent of the published length of the borrower's educational program. Additionally, the borrower becomes responsible for accruing interest on any Direct Subsidized Loan made to the borrower on or after July 1, 2013 if he or she is enrolled after reaching this 150 percent limit.

**Section 685.301(c)--Reporting to the Secretary.**

Section 685.301(c) provides that institutions originating and disbursing loans under the Direct Loan Program must report a student's "payment data" to the Secretary. The term "payment data" is defined in 34 CFR 685.102(b) to mean "an electronic record that is provided to the Secretary by an institution showing student disbursement information". The Department has implemented this provision by requiring that institutions electronically report student and Direct Loan information to the COD System. The regulation in §685.200(f) provides that a borrower is not eligible to receive an additional Direct Subsidized Loan if the sum of the borrower's subsidized usage periods equals or exceeds the borrower's maximum eligibility period. The regulation also provides different rules for borrowers who are enrolled in teacher certification programs for which the institution awards no academic credential, preparatory coursework necessary for enrollment in an undergraduate program, and preparatory coursework necessary for enrollment in a graduate or professional program.

The Department will determine whether the borrower has continued eligibility for Direct Subsidized Loans. To ensure that the Department has the information necessary to make that determination, institutions will be required to report additional information to the Department's COD System. For example, institutions will be required to report: the program's Classification of Instructional Programs (CIP) Code; the credential level of each program; the length of the program for which the loan is intended; the enrollment status of the borrower at the time the loan is disbursed; whether a loan is for a teacher certification program for which the institution awards no academic credential; whether a loan is for preparatory coursework necessary for enrollment in an undergraduate program; and whether the loan is for preparatory coursework necessary for enrollment in a graduate or professional program.

These data will allow the Department to calculate the borrower's maximum eligibility period, subsidized usage period, and remaining eligibility period as described in §685.200(f)(1)(ii)-(f)(1)(iv), determine whether the borrower is eligible to receive an additional Direct Subsidized Loan, and ensure that borrowers do not receive Direct Subsidized Loans if they are no longer eligible to receive a Direct Subsidized Loan under §685.200(f)(2). To estimate the total increase in burden imposed on institutions of higher education, the Department estimated the average number of reports that each institution submitted to COD each business day (by institutional type, i.e., public, private, proprietary). We based our calculations of estimated burdens on a 248 business-day year (365 days, less 104 weekend days and 13 Federal holidays) and that institutions submit data in large batches, not separately, for each individual borrower. We estimate that the additional reporting will add 1 minute (0.02 hours) of additional burden per report.

Of the 5,421 institutions that disbursed Direct Loans during the most recently completed award year, 1,680 of them are private, not-for-profit institutions. The average number of reports per day that private, not-for-profit institutions submit is 1.29. We estimate that additional reporting will add 10,749 hours (1,680 institutions multiplied by 248 business days, multiplied by 1.29 reports per day, multiplied by 0.02 hours per report).

**Section 685.309(b)--Enrollment reporting process.**

Section 685.309(b) provides that eligible institutions that enroll a Direct Loan borrower must report information about the borrower's enrollment to the Secretary. The Department has implemented these provisions by requiring institutions to electronically report, at least twice per year, student and loan information to NSLDS. The Direct Subsidized Loan regulations in §685.200(f)(3) provide that a borrower becomes responsible for accruing interest on

any Direct Subsidized Loans he or she previously received if, after the borrower meets or exceeds his or her maximum eligibility period, the borrower enrolls in an undergraduate program of equal or shorter duration than the program on which their maximum eligibility period was previously based. The regulations also provide specific rules for borrowers who are enrolled in teacher certification programs for which the institution awards no academic credential, preparatory coursework necessary for enrollment in a graduate or professional program, and programs for which borrowers are not otherwise eligible for Direct Subsidized Loans .

The Department will determine whether the borrower is responsible for accruing interest on their previously received Direct Subsidized Loans. To ensure that the Department has the information necessary to make that determination, institutions will be required to report additional information to NSLDS. For example, institutions will be required to report: the CIP code and the credential level for the program in which a borrower is enrolled; the length of the program in academic years, weeks, or months (consistent with current institutional reporting in the COD System); and a more detailed enrollment status of the borrower (e.g., full-time, three-quarter-time, half-time, or less-than-half-time).

These data will allow the Department to determine whether a borrower who is not eligible for additional Direct Subsidized Loans is responsible for accruing interest on his or her previously received Direct Subsidized Loans.

To estimate the total increase in burden imposed on institutions of higher education due to the reporting requirements under §685.309(b), we divided institutions into two groups—institutions that use enrollment servicers, which are more automated and take less time to report enrollment to the Department, and institutions that do not use enrollment servicers and therefore take longer to report enrollment to the Department. We assumed that each institution that reports enrollment does so twice per year (as minimally required). We estimate that the additional reporting will, for institutions using an enrollment servicer, add 0.25 hours of burden per report. For institutions that do not use an enrollment servicer, we estimate that the additional reporting will add 0.5 hours of additional burden per report.

Of the 6,031 institutions that reported enrollment information during the most recently completed award year, 1,813 of them are private, not-for-profit institutions. Of the 1,813 private, not-for-profit institutions, we estimate 1,396 use enrollment servicers. For the 1,396 private, not-for-profit institutions that use enrollment servicers, we estimate that additional reporting will add 2,094 hours (1,396 institutions multiplied by 0.25 additional hours per report, multiplied by 6 reports per year).

Of the 6,031 institutions that reported enrollment information during the most recently completed award year, 1,813 of them are private, not-for-profit institutions. Of the 1,813 private, not-for-profit institutions, we estimate 417 do not use enrollment servicers. For the 417 private, not-for-profit institutions that do not use enrollment servicers, we estimate that additional reporting will add 1,251 hours (417 institutions multiplied by 0.5 additional hours per report, multiplied by 6 reports per year).

### **Section 685.304 –Counseling borrowers**

The regulations implement the statutory requirement that significantly limits a borrower's eligibility for Direct Subsidized Loans and potentially results in the borrower becoming responsible for accruing interest on existing Direct Subsidized Loans. Under section 485(l) of the HEA, which requires that borrowers be provided with entrance and exit counseling on the provisions governing federal student aid, institutions will be required to revise the entrance and exit counseling provided to borrowers.

Entrance counseling under §685.304(a)(6)(xiii) will require institutions to explain: (1) the limitation on eligibility for Direct Subsidized Loans and the possibility that the borrower will become responsible for accruing interest, as described in §685.200(f); (2) the possible loss of eligibility for additional Direct Subsidized Loans;(3) how a borrower's maximum and remaining eligibility periods and subsidized usage period are determined; (4) the possible borrower responsibility for accruing interest on previously received Direct Subsidized Loans; (5) the borrower's responsibility for payment of all accruing interest on Direct Subsidized Loans during in-school, grace, and periods of authorized deferment; (6) and the impact of borrower responsibility for accruing interest on the borrower's total debt.

*Exit counseling under §685.304(b)(4)(xii) will require institutions to explain:(1) how maximum and remaining periods of eligibility and subsidized usage periods are determined under §685.200(f); (2) the sum of the borrower’s subsidized usage periods, as determined under §685.200(f)(1)(iii) following enrollment in or completion of the borrower’s most recent educational program; (3) the consequences of continued borrowing or enrollment, including the possible loss of eligibility for additional Direct Subsidized Loans and the possibility that the borrower could become responsible for accruing interest on previously received Direct Subsidized Loans and the portion of a Direct Consolidation Loan that repaid a Direct Subsidized Loan, even during in-school periods, grace periods and periods of deferment, as described in §685.200(f); (4) the impact of the borrower becoming responsible for accruing interest on total student debt; (5) that the Secretary will inform the student borrower of whether he or she has become responsible for accruing interest on his or her Direct Subsidized Loans; (6) and that the borrower can access NSLDS to determine whether the borrower has become responsible for accruing interest on his or her Direct Subsidized Loans, as provided in §685.200(f)(3).*

*There is burden associated with entrance and exit counseling on institutions to provide counseling to borrowers.*

*We estimate that the additional entrance counseling requirements will add 1 hour of burden per institution to incorporate material into their counseling and implement counseling procedures. Of the 5,421 institutions that are required to perform entrance counseling, 1,680 are private, not-for-profit institutions. For the 1,680 private, not-for-profit institutions, we estimate that burden will increase by 1,680 hours (1,680 institutions multiplied by 1 hour).*

*We estimate that the additional exit counseling requirements will add 1.5 hours of burden per institution to incorporate material into their counseling and implement counseling procedures. For the 1,680 private, not-for-profit institutions, we estimate that burden will increase by 2,520 hours (1,680 institutions multiplied by 1.5 hours).*

#### TOTALS

Responses	551,704
Respondents	1,813
Burden Hours	18,294