



441 G St. N.W.
Washington, DC 20548

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December 4, 2013

The Honorable Tom Harkin
Chairman
The Honorable Lamar Alexander
Ranking Member
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable John Kline
Chairman
The Honorable George Miller
Ranking Member
Committee on Education and the Workforce
House of Representatives

Subject: *Department of Education: Student Assistance General Provisions, Federal Perkins Loan Program, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of Education (Education) entitled "Student Assistance General Provisions, Federal Perkins Loan Program, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program" (RIN: 1840-AD12). We received the rule on November 21, 2013. It was published in the *Federal Register* as final regulations on November 1, 2013. 78 Fed. Reg. 65,768. The final rule is effective on July 1, 2014.

The final rule amends the regulations governing the Federal Family Education Loan (FFEL) program and William D. Ford Federal Direct Loan (Direct Loan) Program to reflect changes made to the Higher Education Act of 1965, as amended (HEA), by the SAFRA Act.¹ The rule also incorporates statutory changes to interest rates and other recent statutory changes in the Direct Loan Program regulations. In addition, Education intends for this rule to update, strengthen, and clarify various areas of the Student Assistance General Provisions, Perkins Loan, FFEL, and Direct Loan Program regulations; and provide for greater consistency in the regulations governing the title IV, HEA student loan programs.

Enclosed is our assessment of Education's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Education did not address the Unfunded Mandates Reform Act of 1995 in the final rule and indicated in its submission to us that the requirement to prepare a written statement under that Act did not apply. Our review

¹ Pub. L. No. 111-152, title II, subtitle A, 124 Stat. 1029, 1071–1081 (2010).

of the other procedural steps taken indicates that Education complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Managing Associate General Counsel

Enclosure

cc: Michael Gross
Assistant General Counsel for Regulatory Services
Department of Education

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
DEPARTMENT OF EDUCATION
ENTITLED
"STUDENT ASSISTANCE GENERAL PROVISIONS,
FEDERAL PERKINS LOAN PROGRAM,
FEDERAL FAMILY EDUCATION LOAN PROGRAM, AND
WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM"
(RIN: 1840-AD12)

(i) Cost-benefit analysis

The Department of Education (Education) discussed the costs, benefits, and transfers of this final rule. In its accounting statement for this rule, Education identified the benefit of greater consistency between loans programs. Education estimated that the costs of compliance with paperwork requirements would be a minus \$109.1 million at a 7 percent discount rate and \$109.8 million at a 3 percent discount rate. The negative value for the costs indicates a decrease in the paperwork burden as discussed below. The transfers identified by Education are reduced payments to the federal government from additional borrowers receiving closed school discharges (\$40,000 at either discount rate) and different transfer payments from borrowers to the federal government as compared to payments prior to changes in the statute (\$1,168 million at a 7 percent discount rate and \$467 at a 3 percent discount rate).

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

Education determined that several of the entities subject to this final rule are small. Education (1) described the reasons that action by the agency is being considered, (2) described and, where feasible, estimated, the number of small entities to which the final rule will apply, (3) described the projected reporting, recordkeeping, and other compliance requirements of the regulations, including an estimate of the classes of small entities that will be subject to the requirement and the type of professional skills necessary for preparation of the report or record, and (4) alternatives considered.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

Education did not discuss the Act in this final rule. In its submission to us, Education indicated that the requirement to prepare a written statement under section 202 of the Act did not apply.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

On July 29, 2013, Education published a notice of proposed rulemaking. 78 Fed. Reg. 45,618. The agency received comments from 25 parties. The final rule contains an analysis of the comments and of the changes made between the proposed rule and the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

Education determined that 44 sections of this final rule contain information collection requirements. The Office of Management and Budget (OMB) Control Numbers associated with the rule and related forms are 1845-0015, 1845-0019, 1845-0020, and 1845-0119. For each of these four control numbers, Education estimates that the total burden hours to be 14,828 hours, 6,247,152 hours, 8,211,632 hours, and 35,606 hours respectively—for a total of 14,509,690 hours. Education also estimates that the change in burden hours under this final rule for each of these control numbers will be plus 54 hours, plus 38,864 hours, minus 4,169,582 hours, and plus 36,078 hours—for a total decrease in burden hours of 4,094,586 hours.

Statutory authorization for the rule

Education promulgated this final rule under the authority of sections 1001, 1002, 1003, 1070, 1070g, 1071 to 1087-2, 1087a to 1087j, 1088, 1091, 1092, 1094, 1099c, and 1099c-1 of title 20, United States Code.

Executive Order No. 12,866 (Regulatory Planning and Review)

Education determined that this final rule is economically significant under the Order because it will have an annual effect on the economy of more than \$100 million. The rule was subject to OMB review under the Order.