

1. Necessity of Information Collected

Section 483 of the Higher Education Act of 1965, as amended, [HEA] mandates that a common federal financial aid application form be used to determine the need and eligibility of a student for financial assistance under Title IV. This form, the *Free Application for Federal Student Aid* (FAFSA), collects the data necessary to determine eligibility for:

- (1) The Federal Pell Grant Program;
- (2) The three Campus-Based programs: Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study, and Federal Perkins Loan;
- (3) The William D. Ford Federal Direct Loan Program (Direct Loans); and
- (4) The Federal Family Education Loan (FFEL) Program.

The HEA provides a detailed need analysis formula to be used in determining an applicant's eligibility for assistance under the federal student financial aid programs described above. The statutory authority for determining eligibility for assistance in the programs authorized under Title IV of the HEA is found in Title IV, Part F (Need Analysis) of the HEA.

Section 483 of the HEA also mandates a renewal application process, whereby students who applied in previous years may submit a renewal application (Renewal FAFSA) that contains certain constant, preprinted data. The student need only update those data elements that have changed from the prior year. The data elements contained on the Renewal FAFSA are identical to those on the FAFSA, but fewer responses are required of the applicant.

AMENDED JUNE 2006:

Legislative Changes Affecting Data Collection

In February 2006, the Higher Education Reconciliation Act (Title VIII of the Deficit Reduction Act of 2005) authorized a new grant program: the Academic Competitiveness Grant (ACG). The Department must determine basic eligibility for ACG and collect some additional information. The Department has implemented a process for the 2006-2007 award year to notify each FAFSA applicant who is potentially eligible for a grant based on information the applicant provided in his or her 2006-2007 FAFSA. All applicants have the option to contact the Department via either telephone or the Internet (URL provided in written communication to applicants) to provide additional information requested by the Department. After collecting the additional information, the Department will provide the information electronically to the school(s) listed on the FAFSA.

To be eligible for each academic year, a student must:

- Be a U.S. citizen;
- Be a Federal Pell Grant recipient;
- Be enrolled full-time in a degree program;
- Be enrolled in the first or second academic year of his or her program of study at a two-year or four-year degree-granting institution;
- Have completed a rigorous secondary school program of study (after January 1, 2006, if a first-year student, and after January 1, 2005, if a second-year student);
- If a first-year student, not have been previously enrolled in an undergraduate program; and
- If a second-year student, have at least a cumulative 3.0 grade point average on a 4.0 scale (as set forth in regulations) for the first academic year.

Notifying FAFSA applicants about the ACG:

January 1, 2006 through June 30, 2006:

Applicants who file a FAFSA between January 1, 2006 and June 30, 2006 and are determined to be potentially eligible for an ACG will be notified by the Department of their potential eligibility and will be directed to link to FAFSA on the Web or to the Department's Federal Student Aid Information Center (FSAIC) at 1-800-4-FED-AID. At the link (or by phone) the applicant will be asked a series of questions to help them determine whether they completed a qualifying rigorous secondary school program of study. Once the student submits his or her eligibility information to the Department, we will notify each institution of higher education that the student has listed on his or her FAFSA of the student's potential eligibility for the ACG grant.

July 1, 2006 through June 30, 2007: Paper FAFSA Filers

Applicants who file a paper FAFSA on or after July 1, 2006 and are determined to be potentially eligible for ACG will be notified by the Department via the applicant's Student Aid Report (SAR). A comment on the SAR will direct the student to FAFSA on the Web or to the FSAIC to respond to the ACG eligibility questions. The ACG eligibility information submitted via the Internet or through FSAIC is sent to the institutions listed on the student's FAFSA. Each institution will use the ACG eligibility information to identify potential ACG recipients.

July 1, 2006 through July 2, 2007 (the final day of 2006-2007 processing) -
Electronic FAFSA Filers

Applicants who file an electronic FAFSA on or after July 1, 2006, will respond to the ACG eligibility questions as a part of the FAFSA on the Web application process.

Determining Eligibility, Awarding, and Disbursing

Each participating institution must, based upon official documentation (e.g., high school transcript), determine the eligibility of a student for an ACG. Once a school determines that a student has met all of the ACG eligibility requirements, the school awards the student an ACG and disburses the funds. Sections 691.12 and 691.15 of the attached regulation contain information collection requirements that relate to this data collection.

2. Purpose and Use of Information Collected

The purpose of the FAFSA is to collect data from a student and his or her parents or spouse to determine an applicant's Expected Family Contribution (EFC) for the purpose of awarding federal student aid funds. After a student completes the FAFSA, the student submits or sends the application to the Central Processing System/Data Entry (CPS/DE) agency that the U.S. Department of Education (ED) has contracted to process the application data. The CPS/DE processes the data from the application, sends the results via a Student Aid Report (SAR) that contains the EFC to the student. The CPS/DE also sends the results via an Institutional Student Information Record (ISIR) electronically to every institution that the applicant has listed on the FAFSA. . The financial aid administrator (FAA) may award aid on the basis of either the student's valid SAR or ISIR, which contains a student's identification information, all the application data, and the official EFC calculated by the CPS.

The EFC is calculated in accordance with the statutory formula in Title IV, Part F of the HEA and measures a family's ability to contribute toward the student's cost of attending an institution of higher education. Schools use the EFC to

award Federal Pell Grant and Campus-Based funds, and to determine eligibility for the FFEL and Direct Loan programs. Therefore, the data elements on the attached FAFSA are required through the 2006-2007 award year (July 1, 2006-June 30, 2007).

Section 474(b) of the HEA sets forth the basic criteria in determining the expected family contribution for Federal Pell Grant, Campus-Based, FFEL and Direct Loan programs.

These criteria are as follows:

- (1) The available income of (A) the student and the student's spouse, or (B) the student and the student's parents, in the case of a dependent student;
- (2) The number of dependents in the family of the student;
- (3) The number of dependents in the family of the student (excluding the parents) who are enrolled or accepted for enrollment, on at least a half-time basis, in a degree, certificate, or other program leading to a recognized educational credential at an institution of higher education that is an eligible institution in accordance with the provisions of Section 487 and for whom the family may reasonably be expected to contribute to their postsecondary education;
- (4) The net assets of (A) the student and the student's spouse, and (B) the student and the student's parents, in the case of a dependent student;
- (5) The marital status of the student;
- (6) The age of the older parent, in the case of a dependent student, and the student; and
- (7) Any additional expenses incurred (A) in the case of a dependent student, when both parents of the student are employed or when the family is headed by a single parent who is employed, or (B) in the case of an independent student, when the student is married and the student's spouse is employed or when the employed student qualifies as a surviving spouse or as a head of household under section 2 of the Internal Revenue Code of 1986.

Section 479 of the HEA mandates that the Secretary use a simplified needs test for calculating the EFC for families who meet the requirements of subsection (b). That is, families who have adjusted gross incomes that are less than \$50,000 per year, and who file or are eligible to file a form 1040A or 1040EZ.

Under the provisions of section 8018 of the HERA, a dependent student's tax filing status is no longer considered in the determination for eligibility for the simplified needs test. Additionally, this section of the HERA provides an alternative criterion to being eligible to file a form 1040A or 1040EZ for establishing eligibility for the simplified needs test. If a family member received a means-tested Federal benefit, during the calendar year prior to the award year, (e.g. the 2005 calendar year for the 2006-2007 award year), the filing of a form 1040A or 1040EZ would not be required. The family member would include, for a dependent student - the parent(s) of a dependent applicant, the dependent student, or a member of the dependent student's household; or in the case of an independent student, the independent student, the independent student's spouse, or dependents of the independent student's household.

The elements to be used for the simplified needs analysis are:

- (1) Adjusted gross income;
- (2) Federal taxes paid;
- (3) Untaxed income and benefits;
- (4) The number of family members;
- (5) The number of family members (excluding the parents) in postsecondary education; and
- (6) An allowance (A) for State and other taxes, as defined in Section 475(c)(2) of the HEA for dependent students and in Section 477(b)(2) for independent students with dependents, or (B) for State and local income taxes, as defined in Section 476(b)(2) of the HEA for independent students without dependents.

Section 8018 of the HERA also amended section 479(c) of the HEA that provides for the automatic determination of an EFC of zero. A determination of an auto-zero EFC is, in part based upon the family's amount of adjusted gross income. Under the HERA, the amount of the family's adjusted gross income may not exceed \$20,000. The same Federally means-tested benefit alternative criterion for the eligibility to file a form 1040A or 1040EZ as provided above is also provided to establish eligibility for the auto-zero EFC needs test. In addition to calculation of financial need, the FAFSA also collects data that allows for a determination of a student's eligibility for the different Title IV programs as well as for state and institutional financial aid programs.

The data element justification explains the purpose and use of each element in the need analysis determination for each of these programs. If this data were

not collected, ED would be unable to make a determination of financial need and subsequently award any Title IV student financial aid, as mandated by the HEA.

For the 2006-2007 FAFSA, we are not proposing to add any data elements or to delete any data elements.

3. Consideration of Improved Information Technology

Section 483 of the HEA of 1965, as amended, mandates that the Secretary develop an electronic version of the FAFSA.

ED continues to be committed to providing electronic means of application for student financial aid. All methods of electronic application share the following benefits:

- (1) Faster processing than paper applications.
- (2) Reduced rate of rejection. Generally, we have maintained a reject rate of 8% for all paper applications and 0.5% for electronic applications. These percentages exclude signature rejects.
- (3) Internal and end-of-entry data edits to ensure that all required fields are completed and all conflicting data are resolved prior to submission. (Contributes to reduced rejection rate, above.)
- (4) Skip logic, which helps “shorten” the form by allowing applicants to skip over questions that don’t pertain to them.
- (5) Availability of online help.

For the 2006-2007 award year, ED will offer the following electronic means of application:

Web Applications at Institutions. FAAs may choose to use *FAA Access to the CPS Online* to help students submit a FAFSA. This tool was introduced in April 2002, and allows FAAs to enter and transmit a student’s original or renewal application over the Internet. FAAs can access this product directly through the Web or through a link in EDExpress.

FAFSA on the Web and Renewal FAFSA on the Web. Students can complete their applications online and transmit their data to the CPS via the Internet, using *FAFSA on the Web*. *FAFSA on the Web* is available to PC users as well as Macintosh and other non-PC users who have Internet access. The Web version

also allows U.S. citizens or eligible noncitizens living outside the U.S. to apply electronically without having to incur the cost of a long-distance phone call. *FAFSA on the Web* offers a Spanish-language version of the FAFSA, and in 2005-2006, ED introduced a Spanish-language version of *Renewal FAFSA on the Web*.

For those applicants who qualify for the automatic zero or simplified needs EFC calculation, the Web will provide an option to skip those questions pertaining to income and/or assets. This skip feature requires the order of questions to be different on the Web than on the paper form.

Applicants who use the paper FAFSA as a worksheet for filing over the Web can now use the Web Pre-application Worksheet. This worksheet presents the questions in the order they appear on the Web application. Students can print the worksheet themselves from the *FAFSA on the Web* home page or get a copy from their schools.

We are continuing work on a state application programming interface (API). The API would give applicants the ability to transfer FAFSA data elements to a state's application through a link on the FAFSA Web site.

Full data editing will be maintained for the 2006-2007 award year, as will be the EFC estimator.

All applicants, whether via paper or electronic applications, can check the status of their application over the Web.

Security of applicant data on the Internet continues to be an issue of great concern. The Web FAFSAs use the commercial encryption protocols available in the most commonly used Web browsers. Initially, ED required the strongest encryption levels available commercially (128-bit encryption). As requested by the Office of Management and Budget (OMB), since March 8, 1998, ED has been giving applicants a choice to use both 40-bit and 56-bit encryption as well. This step has greatly improved customer access to *FAFSA on the Web* and *Renewal FAFSA on the Web* while still retaining necessary security safeguards for student and parent information

In compliance with the Americans with Disabilities Act, *FAFSA on the Web* will continue to be accessible to disabled applicants for the 2006-2007 award year cycle.

PIN and PIN Registration. In addition to the electronic means of application described above, ED has developed a system that allows students and parents to 1) access their application information over the Internet and 2) sign their applications electronically without a paper signature page. This system uses a

code, called the PIN. This *U.S. Department of Education PIN* is mailed to an applicant in a secure mailer, which also informs the student what the PIN is and how it can be used. Continuing a process which began in the 2002-2003 award year, applicants who provide an e-mail address will receive an e-mail with a link to a secure URL. This secure URL will contain the applicant's PIN. The applicant can view the PIN only once from the URL.

In the 2000-2001 award year, ED began mailing PINs to all applicants whose data successfully matched with the Social Security Administration (SSA). In addition, ED introduced the PIN Registration Web site in 2000-2001. This site allows high school students, parents, former students, and anyone else to register over the Internet for a PIN. Registering for a PIN requires a successful data match with SSA. In 2005-2006, we enhanced PIN security by requiring previous and new applicants to accept a confidentiality agreement, and also select and answer a "challenge phrase" before using their PINs to access FSA systems and electronically sign financial aid documents.

With PIN Registration in place, all applicants, even first-time dependent students, can file an electronic application with a PIN, without using a paper signature page.

4. Efforts to Identify Duplication

Title IV student financial aid is awarded on a student-by-student basis using a formula specified in the HEA to determine need. This formula is applied to each student individually and takes into account a variety of family-related factors. Such student-specific data, in the necessary format, does not exist except as collected by this form.

The Renewal FAFSA contains the same questions as the FAFSA, but the Renewal FAFSA is filed in place of, not in addition to, an original FAFSA. The Renewal form does not require responses to items that were reported previously and do not need updating. It limits required responses to a small number of income questions that are likely to change from year to year.

The SAR collects some corrected information that duplicates information collected by the FAFSA. However, the SAR is the output document containing data that are derived from the application and does not duplicate the process of initial data collection.

5. Burden Minimization as Applied to Small Businesses

5. The 2006-2007 FAFSA is not used by small entities, including businesses.

6. Consequences of Less Frequent Data Collection

According to the authorizing legislation for Title IV aid, the Secretary is mandated to determine a student's need for financial aid on an annual basis. If the data were collected less frequently, ED would be in violation of the law. Although a student must reapply and receive a new need analysis for every year that financial aid is requested, use of the Renewal FAFSA reduces the amount of new data that a student must provide each year.

7. Special Circumstances Governing Data Collection

The 2006-2007 FAFSA does not collect information in a manner that would invoke special circumstances, as these are described in the instructions for Paperwork Reduction Act submissions.

8. Consultations Outside the Agency

The design of the current form is based on the 1999-2000 award year form, which grew out of the work of internal and external forms design workgroups. The internal workgroup included a representative from the National Association of Student Financial Aid Administrators (NASFAA), and the larger, external workgroup also included representatives from the National Association of State Student Grant and Aid Programs (NASSGAP), the National Council of Higher Education Loan Programs (NCHELP), and financial aid administrators representing various sectors of the community, e.g., a private four-year college, a state university, a community college, and a proprietary school.

The workgroup for the 2006-2007 award year form includes representatives from NASSGAP, NASFAA, the United States Student Association (USSA), a financial aid administrator, a representative for the TRIO programs, and FSA and ED officials. ED staff solicited comments on the FAFSA at conferences and other public appearances and in formal periods of public comment solicited through the Federal Register. In addition, the format has been tested extensively in multiple rounds of usability testing with students and parents from a mix of backgrounds and income levels.

9. Payment or Gift to Respondents

Respondents using the student aid applications for the 2006-2007 award year are applying for federal benefits; they do not receive payments or gifts.

10. Assurance of Confidentiality

The confidentiality of the data collected by the 2006-2007 FAFSA is discussed

in the Routine Uses section of the System of Records Notice (SORN) for the Federal Student Aid Application File published on page 30159 of the Federal Register dated June 4, 1999 and updated on page 72407 on December 27, 1999; page 11294 on March 2, 2000; and on page 18758 on April 11, 2001. A section on Privacy, printed on Page 7 of the application package, informs the student that the institutions of postsecondary education and state financial aid agencies to which the student requests his or her data be sent will have access to the data, and that the financial aid agency(ies) in his or her state of legal residence will receive certain information even if the student does not consent. In addition, agencies such as Law Enforcement Agencies, OMB, the Department of Justice (DOJ), the Government Accountability Office (GAO), Congress, and departments such as the Inspector General's office have access to the data. No other individuals have access to this information without the express written consent of the student.

11. Additional Justification for Questions of a Sensitive Nature

Except for questions 29 and 30 (what is your parents' level of education), the FAFSA does not contain questions of a sensitive nature beyond those needed to obtain the information necessary to determine EFC. These questions are used by some state grant and scholarship programs, some institutions, and the TRIO programs, which give special consideration to first-generation college students. The FAFSA instructions inform applicants that their responses to questions 29 and 30 do not affect their eligibility for federal student aid.

12. Burden Hour Estimate

The number of responses for the 2006-2007 FAFSA is estimated on the basis of one response per application submitted. The total applicant population comprises significant cohorts of individuals who, by statute, are required to complete only certain segments of the application. The HEA mandates certain data elements for specific populations. The following estimate takes into consideration the burden hour calculations for each unique applicant subpopulation (e.g., dependent vs. independent students) and the type of application (Web or paper) filed by each applicant.

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In addition, an estimated 2,700,000 responses will be generated by applicants. The 'NEW' columns in the following chart detail the increase in responses received, hours to respond to the ACG questions, estimated burden hours and revised estimated burden hours for individuals responding the Academic Competitiveness Grant (ACG) questions. For more on the necessity of collecting this information, please see question 1 'Necessity of Information Collected'

2006-2007 Applicant Burden Hours, by Category

Applicant Category	Projected 2006-2007 Volume	Hours to Complete FAFSA	Estimated Burden Hours	New Number of FAFSA Applicants Affected by ACG	New Hours to Respond to ACG Questions	New Estimated Burden Hours to Complete ACG Letter	New Revised Estimated Burden Hours
FAFSA (paper)							
Dependent	1,009,417	0.95	958,946	189,540	0.08	15163	974,109
Independent	874,689	0.85	743,486	161,460	0.08	12917	756,403
	1,884,106		1,702,432	351,000			1,730,512
Renewal FAFSA (paper)							
Dependent	35,000	0.48	16,800	N/A			
Independent	65,000	0.41	26,650	N/A			
	100,000		43,450				43,450
Electronic FAFSA (FAA Access & 3rd Party)							
Dependent	329,703	0.80	263,762	N/A			
Independent	769,307	0.68	523,129	N/A			
	1,099,010		786,891				786,891
Electronic Renewal FAFSA (FAA Access & 3rd Party)							
Dependent	141,301	0.40	56,520	N/A			
Independent	329,703	0.33	108,802	N/A			
	471,004		165,322				165,322
FAFSA on the Web							
Dependent	2,801,663	0.60	1,680,998	1,268,460	0.08	101477	1,782,475
Independent	2,371,788	0.40	948,715	1,080,540	0.08	86443	1,035,158
	5,173,45		2,629,713	2,349,000			2,817,633
Renewal FAFSA on the Web							

Dependent	2,687,314	0.40	1,074,926	N/A			
Independent	3,154,673	0.36	1,135,682	N/A			
Auto Zero Web	5,841,987		2,210,608				2,210,608
Dependent	104,300	0.20	20,860	N/A			
Independent	193,700	0.20	38,740	N/A			
	298,000		59,600				59,600
Total Applications Processed	14,867,558		7,598,016	2,700,000		216,000	7,814,016

13. Cost Burden to Respondents or Record Keepers

There are no costs associated with the FAFSA for the respondent.

14. Annualized Cost to the Federal Government

The following is a breakdown of estimated cost to the federal government to produce, process, and distribute the 2006-2007 FAFSA, Renewal FAFSA, FAFSA on the Web, Renewal FAFSA on the Web, and the electronic versions of these applications, including the CPS/DE system.

A. CPS Projected Costs at the Virtual Data Center (VDC)

FY 2006 (includes parts of the 2005-2006 and 2006-2007 award year processing cycles.)

\$19,250,000 Includes mainframe processing; software; system security and protection; capacity; storage (tape backup and optical); printing; etc.

B. Data Entry, System Development, Data Processing

The CPS is responsible for a category called Data Entry or Image and Data Capture (IDC) - delivery of data entry services resulting from the paper FAFSA and other related forms transmitted through a reliable and secure data capture system. Processing operations will include the receipt of FAFSA forms and the timely imaging, data capture and transmission of data and images for processing.

Currently FSA is in the process of finalizing negotiations for the CPS FY06 cycle with the present contractor Pearson Government Solutions. Consequently, the figures below are estimates of the cost of the data entry portion within the CPS for FY06 and for the 2006-2007 processing cycle:

FY06 total data entry cost.....\$6,480,000
 FY06-07 processing cycle.....\$5,200,000
 FY06-07 development cycle.....\$1,280,000

C. Other ED Costs

FAFSAs (paper)	
Printing	\$2,230,474
Distribution/Postage	\$1,335,028
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Renewal FAFSA (paper)	
Printing Instructions	\$59,553
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Delivery System Update Videoconference	\$197,665
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FAFSA related customer responses	
Telephones	\$24,350,000
Correspondence	\$2,500,000
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FAFSA Design Group	
Contractor Support/Usability Testing	\$60,000
ED Staff Costs	\$54,500
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SUBTOTAL	\$30,787,220

15. Reasons for Changes to Burden Hour or Cost Estimates

The 2006-2007 annual burden is estimated to be 7,598,016 hours, which is 26,137 hours less than the estimated burden for the 2005-2006 FAFSA.

These changes to estimated burden are based on several factors:

1. A downward adjustment to the projected application volumes for 2005-2006 based on actual 2003-2004 data and partial year 2004-2005 data. Currently, application volume is increasing at approximately 3% per year. When the 2005-2006 projections were made, the cross-year increase was more than 8% between the 2001-2002 and 2002-2003 cycles. After adjustment, the application volume and the burden hour projections for 2006-2007 are very similar to the 2005-2006 projections.

2. An adjustment to reflect an increase in Web applications and a decrease in paper application. For 2006-2007, we expect that Web applications will continue to increase, up to 87% of total applications received.

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The 2006-2007 annual burden is estimated to be 12,146,161 hours, which is 4,522,008 hours more than the estimated burden for the 2005-2006 FAFSA. This is due to the ACG questions that some 2006-2007 FAFSA applicants will

need to answer. For more on the necessity of collecting this information, please see question 1 'Necessity of Information Collected'

3. A process change in 2005-2006. The automatic mailing of paper Renewal FAFSAs was replaced with a reminder to students to use their PINs to access their data online and reapply electronically. A large segment of renewal filers moved from the paper process to Web filing, with a resulting decrease in overall burden.

16. Collection of Information for Publication

The results of the collected information will not be published for statistical purposes.

17. Display of Expiration Date for OMB Approval

The requested expiration date for OMB approval of this form is June 30, 2007. The expiration date for OMB approval is not included on the 2006-2007 FAFSA for design reasons, although the OMB control number is displayed. The term of approval and use of the form is apparent in the first-page instructions that inform students to send in the form between January 1, 2006 and June 30, 2007.

18. Certification for Paperwork Reduction Act Submissions

Exceptions to the certification requirement are not requested for this information collection.