

**Section 682.604 – Processing the borrower’s loan proceeds and counseling borrowers.**

The HEA has been amended to eliminate the exemption from multiple disbursement requirements for eligible foreign institutions. Lenders and guaranty agencies are now required to disburse the proceeds of a FFEL loan in two or more installments, neither of which may exceed one half of the loan. For direct disbursement to students rather than to the foreign institution, prior to making a disbursement, as provided in §682.207, the lender must verify the student’s enrollment at the foreign institution and maintain a record of the information collected. The regulatory change to eliminate single disbursement of FFEL loan proceeds for students attending a foreign institution who request a direct disbursement doubles the burden for the subsequent disbursement. The lender or guarantee agency will have to verify with the foreign institution that the student for whom the subsequent disbursement is intended remains eligible and perform the recordkeeping requirements.

Additionally, the cohort of students attending a foreign institution who receive a FFEL loan and do not request direct disbursement will also be required to have make multiple disbursements. There is no additional significant burden to the lender or guarantee agency for the second cohort of students, due to the fact that a lender’s normal business process is to make multiple disbursements for FFEL loans. To provide a single disbursement option actually creates additional burden for the lender. However, there is the additional burden on the foreign institution to receive and process the subsequent disbursement for the cohort of FFEL loan recipients that do not request direct disbursement.

There are 20,000 U.S. students attending an eligible foreign institution annually that receive title IV, HEA loan funds. Our analysis of lender and guaranty agency processes to contact, collect, and analyze the enrollment verification data prior to direct disbursement will take .5 hours per respondent. The amount of time that the foreign institution of higher education will take to check the borrower’s enrollment status and report it to the lender or guaranty agency will take 1 hour per respondent. The burden associated with the initial disbursement is associated with the requirements of §682.207 for direct disbursement. There is no additional burden associated with the initial disbursement of a FFEL loan for the initial disbursement for students attending a foreign institution who do not request direct disbursement. The new burden associated with multiple disbursement of a FFEL loan for a student attending a foreign institution is as follows:

Number of U.S. Students Attending Foreign Institutions	20,000
less	
Number of U.S. Students Who Request Direct Disbursement	10,000

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Equals

Number of U.S. Students  
Who Do Not Request Direct Disbursement      10,000

Number of Respondents Receiving a Subsequent Disbursement		Burden per Respondent	Response Burden
10,000	Direct Disbursement	1.5 hours	15,000 hours
10,000	Regular Disbursement	.5 hours	5,000 hours
<u>Total Response Burden</u>			20,000 hours

The total annual cost to the respondents is \$697,014.

Cost to the Foreign Institutions: Direct Disbursement – subsequent disbursement

When a foreign institution of higher education requests that a title IV loan be disbursed directly to the borrower, the foreign institution is required to make the request to the lender by e-mail or telephone. Staff time costs are at the rate paid a GS-5, level 4 or \$13.28 per hour.

		Per contact Cost	Total Cost
Number of respondents	10,000		
Number of contacts via e-mail (98%)	9,800	\$ 1.00	\$ 9,800
Number of contacts via telephone (2%)	200	\$10.00	\$ 2,000
Cost of staff time	15,000 hours x \$13.28 =		\$199,200
Total Cost to Foreign Institution			\$211,000

Cost to the Lender:

The lender must contact the foreign school and collect the name and phone number of the school representative, the date of the contact, as well as verify the enrollment status of the borrower prior to disbursing the Title IV loan proceeds. Staff time costs are at the rate paid a GS-5, level 4 or \$13.28 per hour.

	Per contact	Total
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Number of respondents	10,000	Cost	Cost
Number of contacts via e-mail (98%)	9,800	\$ 1.00	\$ 9,800
Number of contacts via telephone (2%)	200	\$10.00	\$ 2,000
Cost of staff time	10,000 hours x .5 hours X \$13.28 = \$ 66,400		
Total Cost to Lender			\$ 78,200

Cost to the Foreign Institutions: Regular Disbursement – subsequent disbursement

When a foreign institution of higher education receives the subsequent title IV loan disbursement it is required to process the proceeds. Staff time costs are at the rate paid a GS-5, level 4 or \$13.28 per hour.

		Per contact Cost	Total Cost
Number of respondents	10,000		
Cost of staff time	5,000 hours x \$13.28 = \$ 66,400		
Total Cost to Foreign Institution			\$ 66,400

Cost to the Lender:

A lender's normal business process is designed to disburse title IV, FFEL loan on a multiple basis. There is no additional burden to multiply disburse the loan.

Total Cost to Foreign Institution                      \$211,000 + \$ 66,400 = \$277,400

The total cost incurred is \$277,400 + \$ 66,400 = \$343,800.