

the Secretary is convinced that services to borrowers would be substantially improved by requiring schools to submit the promissory note, disbursement record, and origination record no later than 30 days following the date of disbursement of loan funds. The implementation of this 30-day requirement is in the best interest of federal taxpayers as well as Direct Loan schools. Furthermore, the timely submission of origination records, promissory notes, and initial and subsequent disbursement records is particularly critical at the end of the Federal fiscal year (September 30).

Ultimately, the result of this requirement will be that borrowers will have fewer questions and problems in the initial phase of the loan process. Also, schools will benefit from this change because schools that do not report disbursements in a timely manner appear to have excess cash even when they have properly disbursed funds to borrowers in compliance with the cash management regulations. The Secretary is confident that the 30-day reporting requirement will help the reconciliation process to work more smoothly and on a more timely basis, ultimately leading to better fiscal control over federal funds and improved services to borrowers.

The Secretary understands that, particularly for Direct Loan schools during their first year of participation in the program, the Department may initially need to extend reasonable lenience when enforcing this requirement. These schools may need additional time or assistance until they become familiar with the Direct Loan processes and procedures. Furthermore, the Secretary has already committed to current program participants that the Secretary will assist any schools having difficulty in complying with this requirement. The Secretary is ready to provide technical support to schools and is willing to review a school's on-site operations, if requested, to make suggestions regarding changes that will enable the school to meet this requirement.

Based on the comments received on this issue, it appears that some commenters are confused about when a borrower receives the disclosure of loan information in the Direct Loan Program. Every Direct Loan borrower receives disclosure information on the Direct Loan promissory note prior to disbursement. The disclosure that is mailed from the Direct Loan Servicing Center following any disbursement is in addition to the initial disclosure.

Changes: None.

Executive Order 12866

These final regulations have been reviewed in accordance with Executive Order 12866. Under the terms of the order the Secretary has assessed the potential costs and benefits of this regulatory action.

The potential costs associated with the final regulations are those resulting from statutory requirements and those determined by the Secretary as necessary for administering this program effectively and efficiently.

In assessing the potential costs and benefits—both quantitative and qualitative—of these final regulations, the Secretary has determined that the benefits of the regulations justify the costs.

The Secretary has also determined that this regulatory action does not unduly interfere with State, local, and tribal governments in the exercise of their governmental functions.

Summary of Potential Costs and Benefits

The potential costs and benefits of these final regulations are discussed elsewhere in this preamble under the following heading: *Analysis of Comments and Changes*.

Assessment of Educational Impact

In the NPRM, the Secretary requested comments on whether the proposed regulations would require transmission of information that is being gathered by, or is available from, any other agency or authority of the United States.

Based on the response to the proposed rules and on its own review, the Department has determined that the regulations in this document do not require transmission of information that is being gathered by, or is available from, any other agency or authority of the United States.

List of Subjects in 34 CFR Part 685

Administrative practice and procedure, Colleges and universities, Education, Loan programs—education, Reporting and recordkeeping requirements, Student aid, Vocational education.

(Catalog of Federal Domestic Assistance Numbers: 84.268, William D. Ford Federal Direct Loan Program)

Dated: November 22, 1995.

Richard W. Riley,
Secretary of Education.

The Secretary amends part 685 of title 34 of the Code of Federal Regulations to read as follows:

PART 685—WILLIAM D. FORD FEDERAL DIRECT LOAN PROGRAM

1. The authority citation for Part 685 continues to read as follows:

Authority: 20 U.S.C. 1087a et seq., unless otherwise noted.

2. Section 685.102, paragraph (b) is amended by revising the definition of "School origination option 1," "School origination option 2," and "Standard origination."

§ 685.102 Definitions.

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(b) * * *

School origination option 1: In general, under this option the school performs the following functions: creates a loan origination record, transmits the record to the Servicer, prepares the promissory note, obtains a completed and signed promissory note from a borrower, transmits the promissory note to the Servicer, receives the funds electronically, disburses a loan to a borrower, creates a disbursement record, transmits the disbursement record to the Servicer, and reconciles on a monthly basis. The Servicer initiates the drawdown of funds for schools participating in school origination option 1. The Secretary may modify the functions performed by a particular school.

School origination option 2: In general, under this option the school performs the following functions: creates a loan origination record, transmits the record to the Servicer, prepares the promissory note, obtains a completed and signed promissory note from a borrower, transmits the promissory note to the Servicer, determines funding needs, initiates the drawdown of funds, receives the funds electronically, disburses a loan to a borrower, creates a disbursement record, transmits the disbursement record to the Servicer, and reconciles on a monthly basis. The Secretary may modify the functions performed by a particular school.

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Standard origination: In general, under this option the school performs the following functions: creates a loan origination record, transmits the record to the Servicer, receives funds electronically, disburses funds, creates a disbursement record, transmits the disbursement record to the Servicer, and reconciles on a monthly basis. The Servicer prepares the promissory note, obtains a completed and signed promissory note from a borrower, and initiates the drawdown of funds for schools participating in standard