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Wednesday  
October 27, 1999

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**Part IV**

**Department of  
Education**

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34 CFR Part 685  
William D. Ford Federal Direct Loan  
Program; Final Rule

**DEPARTMENT OF EDUCATION****34 CFR Part 685**

RIN 1845-AA10

**William D. Ford Federal Direct Loan Program**

AGENCY: Department of Education.

ACTION: Final regulations.

**SUMMARY:** The Secretary amends the regulations governing the William D. Ford Federal Direct Loan (Direct Loan) Program. The amendment is a result of a recently enacted change made to the Higher Education Act of 1965, as amended (HEA) by the Higher Education Amendments of 1998 (1998 Amendments). These final regulations reflect the Secretary's authority to charge reduced interest rates on Direct Loan Program loans to encourage on-time loan repayment.

**DATES:** *Effective Date:* These regulations are effective July 1, 2000.

*Implementation Date:* The Secretary has determined, in accordance with section 482(c)(2)(A) of the HEA (20 U.S.C. 1089(c)(2)(A)), that Direct Loan Program borrowers may, at their discretion, choose to implement the provisions of § 685.211(b) on or after November 1, 1999. For further information see "Implementation Date of These Regulations" under the **SUPPLEMENTARY INFORMATION** section of this preamble.

**FOR FURTHER INFORMATION CONTACT:** Ms. Nicki Meoli, U.S. Department of Education, 400 Maryland Avenue, SW., ROB-3, Room 3045, Washington, DC 20202-5346. Telephone: (202) 708-8242. If you use a telecommunications device for the deaf (TDD), you may call the Federal Information Relay Service (FIRS) at 1-800-877-8339.

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**SUPPLEMENTARY INFORMATION:**

These regulations address a change made to the HEA by the 1998 Amendments (Pub. L. 105-244) that affects the Direct Loan Program. On June 16, 1999, the Secretary published a notice of proposed rulemaking (NPRM) for the Direct Loan Program in the **Federal Register** (64 FR 32358). On August 24, 1999, the Secretary published final regulations in the **Federal Register** (64 FR 46252) for all of the proposed amendments in the NPRM except for the amendment to § 685.211 that would reflect the Secretary's

authority to charge borrowers reduced interest rates to encourage on-time loan repayment. Before publishing final regulations on repayment incentives, the Secretary met certain reporting procedures in section 455(b)(7) of the HEA. This final regulation is the same as the proposed amendment to § 685.211 published in the NPRM.

**Implementation Date of These Regulations**

Section 482(c) of the HEA requires that regulations affecting programs under Title IV of the HEA be published in final form by November 1 prior to the start of the award year in which they apply. However, that section also permits the Secretary to designate any regulation as one that an entity subject to the regulation may choose to implement earlier. If the Secretary designates a regulation for early implementation, he may specify when and under what conditions the entity may implement it. Under this authority, the Secretary has designated the following regulations for early implementation:

§ 685.211(b)—On or after November 1, 1999, these regulations may be implemented by Direct Loan Program borrowers at their discretion. This means that Direct Loan Program borrowers may receive a reduced interest rate by choosing to repay their loans under a system or on a schedule that meets requirements specified by the Secretary.

**Analysis of Comments and Changes**

The regulations in this document were developed through the use of negotiated rulemaking. Section 492 of the HEA requires that, before publishing any proposed regulations to implement programs under Title IV of the HEA, the Secretary obtain public involvement in the development of the proposed regulations. After obtaining advice and recommendations, the Secretary must conduct a negotiated rulemaking process to develop the proposed regulations. All proposed regulations must conform to agreements resulting from the negotiated rulemaking process unless the Secretary reopens that process or explains any departure from the agreements to the negotiated rulemaking participants.

These regulations were published in proposed form on June 16, 1999 in conformance with the consensus of the negotiated rulemaking committee. Under the committee's protocols, consensus meant that no member of the committee dissented from the agreed-upon language. The Secretary invited comments on the proposed regulations

by July 30, 1999 and several comments were received. An analysis of the comments received on the proposed regulations for all of the provisions in the NPRM except § 685.211 was included in the preamble to the final regulations the Secretary published on August 24, 1999. An analysis of the comments received on the proposed changes to § 685.211 follows.

Generally, we do not address technical and other minor changes—and suggested changes the law does not authorize the Secretary to make.

**Repayment Incentives (§ 685.211(b))**

*Comments:* A number of commenters representing individual schools and associations of schools supported the proposed rule that would reflect the Secretary's authority to charge reduced interest rates to encourage on-time loan repayment. The commenters endorsed the proposed regulation as a means of reducing costs to Direct Loan Program borrowers in a way that previously had been available only to Federal Family Education Loan (FFEL) Program borrowers.

*Discussion:* We appreciate the support expressed by the commenters for the proposed change to § 685.211(b).

As the first step in implementing this regulation, the Secretary will reduce the interest rate charged on Direct Loan Program loans for borrowers repaying by means of automated account debiting. Beginning on November 1, 1999, borrowers repaying their Direct Loan Program loans via automated debiting of their personal checking, savings, or other type of account at a financial institution will receive a .25 percent reduction in the interest being charged on their loans.

*Change:* None.

**Executive Order 12866**

We have reviewed these final regulations in accordance with Executive Order 12866. Under the terms of this order, we have 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 we have determined as necessary for administering this program effectively and efficiently.

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

We have also determined that this regulatory action would not unduly interfere with State, local, and tribal

governments in the exercise of their governmental functions.

We summarized the potential costs and benefits of these final regulations in the preamble to the NPRM on June 16, 1999 (64 FR 32360).

**Paperwork Reduction Act of 1995**

These regulations do not contain any information collection requirements.

**Assessment of Educational Impact**

In the NPRM, we requested comments on whether the proposed regulations would require transmission of information that any other agency or authority of the United States gathers or makes available.

Based on the response to the NPRM and on our review, we have determined that these final regulations do not require transmission of information that any other agency or authority of the United States gathers or makes available.

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- http://ocfo.ed.gov/fedreg.htm
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To use the PDF you must have the Adobe Acrobat Reader Program with Search, which is available free at the first of the previous sites. If you have questions about using the PDF, call the U.S. Government Printing Office (GPO) toll free, at 1-888-293-6498; or in the Washington, D.C., area at (202) 512-1530.

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http://www.access.gpo.gov/nara/index.html

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

**List of Subjects in 34 CFR Part 685**

Administrative practice and procedure, Colleges and universities, Education, Loan programs-education, Student aid, Vocational education.

Dated: October 15, 1999.

**Richard W. Riley,**  
*Secretary of Education.*

For the reasons discussed in the preamble, the Secretary amends title 34 of the Code of Federal Regulations by amending Part 685 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. 1087 *et seq.*, unless otherwise noted.

2. Section 685.211 is amended by redesignating paragraphs (b), (c), (d), and (e) as paragraphs (c), (d), (e), and (f), respectively; by adding a new paragraph (b); by removing the reference to “(d)(1)” in the first sentence of newly redesignated paragraph (e)(2), and by adding, in its place, “(e)(1)””; and by removing the reference to “(d)(2)” in newly redesignated paragraph (e)(3), and by adding, in its place, “(e)(2)” to read as follows:

**§ 685.211 Miscellaneous repayment provisions.**

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(b) *Repayment incentives.* To encourage on-time repayment, the Secretary may reduce the interest rate for a borrower who repays a loan under a system or on a schedule that meets requirements specified by the Secretary.

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