CHASE

Jeffrey H. Levine
Senior Vice President
General Counsel
Legal Department

May 26, 2009

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Docket No. R-1353

Via E-mail: regs.comments@federalreserve.gov

Dear Ms. Johnson,

JPMorgan Chase Bank, N.A. ("Chase") is pleased to comment on the proposal (the Proposal) by the Federal Reserve Board (Board) to amend Regulation Z, to implement Title X of the Higher Education Opportunity Act (HEOA), which amends the disclosure and timing requirements for creditors making private education loans, sometimes called "private student loans."

Chase is one of the largest student lenders in the United States. In 2008, Chase originated more than $6.8 billion in student loans (private and FFELP combined). Chase currently services more than $16 billion in student loans for more than 875,000 customers.

In general, we wish to commend the Board and Board staff for the thoughtful Proposal. Although we have specific comments as set forth below, we are generally supportive of the way in which the Proposal dealt with practical difficulties while carrying out the intent of the legislation to provide consumers of private student loans with the information needed to make informed borrowing choices.

We have divided our comments into two groups: (1) major comments, and (2) additional comments and concerns.

Major Comments:

I. Definition of "Approval"

1. Conditional Approvals – Section 226.38(b)(5)(ii) of the Proposal provides that "except for changes based on adjustments to the index used for a loan, the rates and terms of the loan may not be changed by the creditor during the period described in paragraph (b)(5)(i)." However, since approval of private student loans by most creditors, including Chase, is *conditional (i.e.,* dependent on the future satisfaction of conditions, including

Chase Auto Finance Corp • 900 Stewart Avenue, Garden City, NY 11530-4855
Telephone: 516 745 4564 • Facsimile: 516 745 4528
jeffrey.levine@chase.com

school certification), the final regulation should be modified to make it clear that "approval" is the conditional approval for purposes of the "Approval Disclosure" requirements. If creditors were unable to condition their approvals on verification of various underwriting criteria and other factors, creditors would likely be unable to make private student loans. It is frequently the case, due to the financial inexperience of the consumer applicant, that private student loan conditions are not satisfied, resulting in the need to decline or modify the loan.

Creditors typically condition approval on a range of factors, including those that affect underwriting, security, identity, school certification, and—for consolidation loans—confirmation of the outstanding loan balance on the loans to be consolidated. Among others, these factors may include:

- School certification
- Proof of enrollment & grade level
- Borrower and co-borrower proof of income
- Proof of citizenship
- Visa & passport information from foreign students
- Validating loan amounts on consolidation loans
- Borrower and co-borrower identification
- USA Patriot Act requirements
- OFAC requirements

If the conditions are satisfied, the creditor reaches a "final" approval, but to treat the latter event as the approval for purposes of the "Approval Disclosure" would be problematic. Final approval, when all conditions are satisfied, may not occur until the beginning of the school year (late August or early September), which is when school's typically finalize financial aid and determine the student's need, if any, for private student loans. Requiring the "Approval Disclosure" at this time, which triggers the 30-day period to accept the loan, will delay payment to the school and potentially jeopardize student enrollment. The purpose of the 30-day acceptance window is to permit the consumer to shop for alternatives, and we believe that it is important to encourage shopping for loan terms. Since most students begin shopping for a private student loan in the spring and early summer, it would make little sense - and provide no real value - to provide a shopping opportunity so late in the process. We therefore suggest that the Board clarify that a conditional approval is deemed an "approval" under the final regulations.

If the conditional approval is the approval event that triggers the "Approval Disclosure," it would also be necessary for the Board to clarify that changes made following the "Approval Disclosure," but pursuant to the articulated conditions disclosed in the "Approval Disclosure," are not impermissible changes in terms (and would form the basis for declining the loan or making a counteroffer to the consumer). For example, the failure to satisfy a standard underwriting condition, such as the inability to verify an applicant's income, would result in the decline of the loan. However, discovering a discrepancy between the stated income on the application and the validated income may result in a counteroffer for a different loan amount or different terms. Chase agrees that a counteroffer would require an additional "Approval Disclosure" and a new 30-day acceptance period, except for the "school certification exception" discussed below. Further, a decline would require an adverse action communication under Regulation B.

2. School Certification Exception – Chase asks the Board to exempt from the requirement to provide a new "Approval Disclosure", changes in loan terms resulting from a school certification. One common condition for many private student loans is the school certification of the loan amount. It is quite common for the applicant to request an amount that is more than the school later certifies. Schools may also submit revised certifications after an initial certification due to changes in the student's financial situation or the awarding of additional financial aid. If the amount is different than the amount previously requested or certified, the creditor must change the loan amount and may change other terms that are related to the loan amount, or else it would be unable to make the loan. These changes are important both to prevent the student from excessive and unnecessary borrowing and for safe and sound lending. Yet it is a common occurrence that the amount being requested is found to exceed the certified amount, and the school certification occurs so late in the process, that it would be an impossible burden on students and creditors unless (a) creditors may condition the terms of their approvals on the school certification; (b) creditors may change the loan amount and terms accordingly based on final certification; and (c) the changes do not trigger a new "Approval Disclosure" and an additional 30-day shopping period.

We believe that no new 30-day period is appropriate or necessary because the consumer will have already received an "Approval Disclosure" that was explicitly contingent upon school certification and will have already accepted the loans terms, so there should be no surprise if the final amount is different. Moreover, the "Final Disclosure" will provide the correct figures, and *the consumer is given an additional 3 business days in which to rescind.* Finally, it should be noted that reducing the loan amount to reflect the school certification is *beneficial* to the consumer, as it limits what the consumer is borrowing to only the absolutely necessary amount.

School certification is a unique factor, unlike any other contingency that may arise. The school is independent of both the borrower and the creditor, but it holds the ability to determine the precise loan amount (unlike the creditor, the school is aware of all other financial aid provided to the borrower). When certifying the amount a student needs, the school performs an important public policy role by ensuring that students do not borrow more than necessary. If creditors were required to restart the 30-day clock every time a school adjusts the loan amount, then the regulation may end up unintentionally discouraging schools from changing the loan amount from the amount previously approved by the creditor.

3. Model Form - In light of our previous recommendation that a "conditional approval" function as an approval that triggers the "Approval Disclosure" requirement, we further recommend that the Board modify form H-19 and H-22 to call them "Private Education Loan Conditional Approval" and amend the text to reflect the conditional nature of the approval.

Therefore, the regulation or commentary should clarify that the "Approval Disclosure" model forms may contain any institution-specific conditions without affecting the safe harbor protection, so long as they are included in a manner that does not affect the substance, clarity or meaningful sequence of the forms and clauses. We also recommend that the following language be included on the model form as examples of model conditional language that would be acceptable on the "Approval Disclosure" form:

Our approval of your application is subject to:
(1) our verification of the information provided on or in connection with your application and that there have been no material changes prior to disbursement of your loan;
(2) information provided by your school, if applicable, and any changes to such information; and
(3) such other conditions or requirements that arise under applicable law.

The current language in the "Next Steps and Terms of Acceptance" section indicating that the loan offer cannot change should be revised accordingly. Finally, Chase recommends that the final regulation require that disclosures regarding conditions relevant to the conditional approval must be included with the segregated "Approval Disclosures" to ensure that student borrowers can adequately compare different loans approvals and conditions from different lenders.

II. Private Education Loan – Definition

The Proposal's definition of a "private education loan" includes a loan that is "extended expressly, <u>in whole or in part</u>, for postsecondary educational expenses to a consumer." (emphasis added). Thus, as proposed, the new disclosures and all other rules applicable to private student loans would apply to an entire loan, any part of which has been identified as intended for postsecondary educational expenses. The Board has requested comment on whether these "multi-purpose loans" should be exempted from the requirements of the regulation.

Title X of the HEOA defines "private education loan" as a loan issued "expressly" for qualified higher education expenses. It does not include—and we do not believe it was intended to include—multipurpose loans. We believe the broader definition in the Proposal will result in unintended and undesirable results. We recommend that the phrase, "in whole or in part" be removed from the regulatory definition, that multi-purpose loans be excluded from the coverage of the new requirements for private student loans, and that the definition cover only those loans that are expressly extended to pay for postsecondary education expenses.

As proposed, general purpose closed end loans that are not secured by real property or a dwelling could become "private student loans" inadvertently. If an applicant indicates that a portion of the loan, no matter how de minimis, is going to be used for postsecondary educational expenses, then the entire loan is captured by the definition, subjecting the creditor to the full breadth of the regulations unique to the private student loan.

This Proposal would create compliance problems for both large and small financial institutions. Chase, for instance, does not have an integrated processing and operational system for all loan products the bank offers. The system that processes multi-purpose consumer loans will not have the operational infrastructure to support the detailed disclosure requirements, and it would be unduly burdensome to require that such infrastructure be built. In addition, extensive training of branch and call center representatives would be required for the recognition and processing of such loans because the requirement creates the operational necessity of scrutinizing each application for any indication that it will be used for postsecondary educational expenses, and then forwarding such applications for specialized processing to our student lending division. Small institutions, especially those without existing student loan programs, may not be aware that the proposed requirement exists for multi-purpose loans, will not have the capability to deliver the required disclosures, and in all likelihood will not deliver them.

Chase believes that the language in the HEOA is drafted more narrowly than the Proposal and that Congress did not intend to apply the private student loan disclosure regime to multipurpose loans. As a result, Chase suggests that the Board amend the language in the Proposal to match the language in the HEOA and that the Board revise the commentary to the final regulation to make clear that private student loans include only those that are marketed for use and extended expressly for postsecondary educational loans.

III. Estimates and Redisclosure

Chase asks the Board to delete the proposed carve-out language for "Approval Disclosures" in section 226.17(e) so that it's clear that: (i) creditors do not incur any liability for providing inaccurate "Approval Disclosures," and (ii) creditors are not required to provide new "Approval Disclosures" if a subsequent event makes them inaccurate before the "Final Disclosure" is provided, so long as the disclosed terms in the "Approval Disclosure" is based on an estimate and is labeled as an estimate in the "Approval Disclosure" in accordance with Section 226.17(f).

In particular, we recommend that the Board provide the following two examples, as illustrations only, and not as an exhaustive list.

1. Consolidation Loan Amount - In the case of consolidation loans, the creditor may not know the requested loan amount until very late in the application process and, therefore, would be required to base much of the information in the "Approval Disclosures" on estimates. Therefore, we recommend that the Board clarify that the creditor need not provide new "Approval Disclosures", triggering an additional 30 day acceptance period, when the creditor obtains the final payoff amounts of the loans being consolidated. It would be of no value to the consumer, and would be a potentially time consuming and unnecessary process, if the "Approval Disclosure" is required to be repeated. Moreover, since most private student loans are simple interest loans, and the creditor will never be able to know with certainty the date on which the consumer will actually accept the loan, the creditor and consumer could end up in a continuous loop (since the creditor will always be estimating the amount financed) and never get to the "Final Disclosure" and consummation of the loan.

2. Loan Disbursement Date – Unique to private student loans will be the need for the creditor to estimate the APR in the "Approval Disclosure" because the creditor will need to estimate the loan disbursement date. The estimate is made necessary because the school, rather than the creditor or the consumer determines the disbursement date. If a new disclosure and a new 30 day acceptance period were triggered by a change in the APR outside of the Regulation Z tolerance (because of a change in the disbursement date by the school) when the actual disbursement date is established, the date would immediately move back an additional 30 days, and the whole process would begin again. In any case, the estimate of the APR in the "Approval Disclosure" would not affect the more prominent interest rate disclosure at all. Therefore, Chase also requests that the Board amend Section 226.17(f)(2) to provide that such section is not applicable to an estimated disclosure of the APR in an "Approval Disclosure" of a private student loan if a subsequent event (a change in the loan disbursement date) makes the disclosure inaccurate prior to providing the "Final Disclosure."

IV. Self-Certification

The self-certification requirement set forth in HEOA and the Proposal is duplicative with the certifications that are already provided to the creditor by the school. In order to reduce unnecessary redundancy and time-consuming repetition, we request that the Board use its authority to eliminate duplicative requirements by exempting the self-certification requirement for "school certified loans." We recommend that the final regulation define a school certified loan as any loan where the creditor requires from the school in written or electronic form, as a condition of making the loan, a certification of the student's enrollment in the institution as well as certification of the student's need for the requested loan amount.

In the alternative, we recommend that the Board provide in the final regulations that a creditor will not be obligated to collect a self-certification form from a student if the school certification sent to a creditor includes a certification by the school that it has provided to the student the information required on the self-certification form or that the school has obtained a signed self-certification form from the student. The proposed commentary to section 226.39(e) already provides flexibility to schools and creditors as to how the completed self-certification form is provided to the creditor. It states that, "[t]he creditor may receive the form directly from the consumer, or the creditor may receive the form from the consumer through the institution of higher education." Since most school certifications are sent electronically and it would not be possible with today's technology to include a signed self-certification form with such electronic certification, Chase's recommendation above would maintain the flexibility already contemplated by the Proposal while still meeting the intent of the HEOA.

In any event, we propose a clarification that the self-certification form may be presented to the student by the creditor.[1] The Proposal requires that the school make the self-certification form available to the borrower and states that the creditor may receive the self-certification form from either the student or the school. However, the Proposal does not specify whether the creditor may also provide the form for the student to complete and submit. In the case where the student has not obtained the form from the school, the creditor should be able to expedite the application process by providing the form as part of the application for the student to complete.

V. Effective Date

The regulations drafted by the Board are to have an effective date no later than six months after they are issued. However, the HEOA provisions will be effective on the earlier of the date on which the Board's regulations become effective or 18 months after enactment of HEOA. Therefore, the latest possible date the regulation could become effective is February 14, 2010. The Board solicits comment on whether a shorter implementation date is appropriate.

We strongly urge the Board to allow the greatest possible time to permit creditors to begin complying with the regulation. The changes that will be necessary will constitute a significant operational and technological undertaking, requiring the development of new forms, new operational processes for creditors and schools, significant software coding changes, new training developed and instituted, and the resolution of a host of related concerns. These are not trivial, and will take a good deal longer than the Board's Paperwork Reduction Act estimate of 40 hours to complete. If the time necessary to comply cannot be extended, we urge the Board to publish the final regulations at the time that will ensure that the effective date is no earlier than February 14, 2010.

In regard to loans that are in process as of the effective date, we request that you adopt clear transition rules that minimize the cost and burdens, and limit the confusion, of the transition. We propose that the final regulation be mandatory for applications received after the effective date and optional for applications received prior to the effective date. It may be necessary, as creditors begin to shift to new forms and new processes and updated software, for consumers with loans applications in process which may have been initiated prior to the effective date to receive an "Approval Disclosure" or a Final Disclosure" in accordance with the final regulations. If this were not permitted, all creditors would have to maintain parallel systems during the transition period, at great cost.

---

[1] HEOA provides that the form shall be made available to the applicant by the school upon the request of the applicant - but doesn't expressly prohibit others from also providing the form. We believe that the intent of Congress was to ensure the school's cooperation with the education loan process, and was not to create a limitation as to the entities that could provide the form.

Additional Comments and Concerns:

226.2(a)(6) -- Definition of Business Day/Timing of Disclosures

Proposed section 226.2(a)(6) contains two definitions of business day for use in different contexts. The Board is proposing employing the "more precise" definition—that is, all calendar days except Sundays and specified legal public holidays—in providing the time period in which certain disclosures are sent to consumers, and for measuring the period during which consumers have the right to cancel a private student loan.

We recommend that the Board adopt in the final regulation the more general definition (a day on which the creditor's offices are open to the public for carrying on substantially all of its business functions) or creating a new definition that excludes Saturdays from the "business day" definition. Most creditors do not have their systems operational on Saturdays for disbursing funds and sending disclosures, and the use of the proposed definition—which includes Saturday as a business day --would create a serious problem. Due to the seasonal nature of the student loan business, approximately 40% of Chase's private student loans are disbursed during a very short time period during the late summer. If the proposed definition were included in the final regulation, creditors would be in jeopardy of missing the 3-business day delivery deadline for the disclosures.

226.37(d) -- Telephone Applications

1. Denied Applications - In lieu of providing disclosures on or with any application or solicitation, the Board is proposing to give the creditor several options in the case of certain telephone applications or solicitations. As proposed, the creditor may, at its option, disclose the information in section 226.38(a) orally, or, "the creditor must provide the disclosure or place them in the mail no later than three business days after the consumer requests the credit." This is a reasonable approach to the treatment of telephone applications, and - subject to our comment below about who initiates the call - we support the Board's exercise of its authority to provide these alternatives.

We believe that clarification is needed, however, to address the circumstance in which a telephone application is declined. In that situation, the application disclosures should not be required. Without such an exception, the consumer would be provided with an application disclosure and with an adverse action notice. We believe this would cause nothing but confusion (the consumer will be left wondering whether or not the loan has been denied) and would serve no useful purpose.

Our recommendation should be viewed as analogous to the Board's proposal (which we support) to permit the creditor to mail the "Approval Disclosures" within three business days, rather than providing the unnecessary "Application Disclosures", if the loan has been approved. As noted in the supplementary information, in such a case "the application disclosure requirements would not provide a meaningful benefit to consumers in the form of useful information or protection." The same would be true on the flip side, if the consumer's application is declined.

2. Applications Initiated By The Consumer - As proposed, the exception permitting oral disclosures during telephone applications or solicitations, or mailed within three business days thereafter, applies only to telephone applications "initiated by the creditor." It is not clear why the Board chose to limit the scope of this exception, but we would strongly recommend that the limitation be removed.

All telephone applications for Chase's private student loans are initiated by the *consumer*, not by Chase. We can think of no reason to treat an application that is taken over the phone differently if the consumer initiated the phone call. We therefore suggest that the Board either delete the words "initiated by the creditor" or revise the phrase to read, "whether initiated by the consumer or the creditor."

226.38(a)(1) – Interest Rates

1. Rates on Web Sites - The Proposal states that rates disclosed must be the rates that are "actually offered by the creditor." However, the Board has sensibly proposed a number of situations in which the rate being provided can be one employed in the not too distant past (e.g., on printed or emailed disclosures). However, the proposed rule for web site disclosures is that the rate must be the one actually offered "when viewed by the public." Providing real-time interest rates updates for variable rate private student loans across multiple websites is unduly burdensome and very difficult to implement, if not impossible.

Chase suggests that interest rates presented to consumers electronically be valid as of a particular date that is not more than 60 days prior to the date when the rate is viewed or disclosed. An alternative approach might be to require that it be stated as a "good as of a particular date," with a means of contacting the creditor by telephone to determine the current rate.

2. Borrower benefits – Chase recommends that Board modify the final regulation to clarify that "borrower benefits" (i.e. lower rates provided based on repayment performance or other factors) should not be the basis on which rates are permitted to be disclosed, including the disclosure of the interest rate, the range of interest rates, and disclosures regarding changes to the interest rate. It is our experience that few consumers manage to qualify for the benefits, and the disclosure of the lower rate, which assumes that the benefit has been achieved, could be misleading to consumers and interfere with their ability to shop for credit. Moreover, unscrupulous lenders may use this potential loophole as a marketing tool to disclose artificially low interest rates to students and schools (even though their actual interest rates are much higher). As a result, consumers could unknowingly choose more expense loan products, which would in turn unnecessarily increase overall debt burden and contribute to negative repayment performance.

3. Co-signer Requirement – Section 226.38(a)(1)(iv) of the Proposal contains language that implies that a creditor can require a cosigner on a private student loan. However, section 202.7(d)(1) of Regulation B clearly prohibits creditors from requiring cosigners if the applicant qualifies under the creditor's standards of creditworthiness for the amount and terms of the credit requested. As a result, Chase recommends adding a clarifying statement in the final regulations that is consistent with Regulation B.

226.38(a)(3)(ii) – Payment deferral options.

As proposed, the "Application or Solicitation Disclosure" must include information related to the options offered by the creditor to the consumer to defer payments during the life of the loan. Creditors have exhaustive deferment and forbearance options that apply only during the repayment period and any description of such options would require more space than is available on the current model disclosure forms. Chase clearly discloses these scenarios in its promissory note; however, detailing them in the "Application Disclosure" will significantly lengthen the disclosure and will likely dilute its effectiveness. Chase asks that the Board consider a more generic approach to disclosing repayment options (as already contemplated in the model forms).

We recommend that the payment deferral options that are required to be listed in the repayment option disclosures be limited to payment deferral options available while the student is enrolled and exclude any forbearance options that are offered by the creditor once the loan enters repayment.

Further, we request that the Board clarify the required details for the "Application Disclosure" and the "Approval Disclosure" (in addition to information included in the table in the model form). We recommend that the disclosures be limited to: (a) length of the maximum initial in-school deferment period for the loan program; (b) enrollment requirements for maintaining the chosen deferment option, and (c) an instruction to consult the credit agreement or promissory note for further details. This will help to prevent a lengthy and complex list of options that would otherwise be required.

226.38(b)(3)(vii) and (viii); and (c)(iii) – Maximum Interest Rate

The Proposal currently requires that, in the "Approval Disclosure" and "Final Disclosure", the creditor must disclose an estimate of the total amount for repayment at the maximum possible rate of interest. If the maximum rate cannot be determined, the creditor must use an assumed rate of 21%. The same assumptions are required when providing the maximum monthly payments.

According to the Board, a maximum rate would include a legal limit in the nature of a usury or rate ceiling under state or federal statutes or regulations. Thus, the 21% assumption would be required where the legal agreement between the parties does not specify a maximum rate, and there is no applicable usury limit on the rate.

The Board solicits comment on whether a specific maximum rate assumption should be used, and, if so, if it should be 21%.

As proposed, a creditor, such as Chase, that is located in state with a usury rate limit higher than 21% (the usury rate limit in Ohio is 25%), would be required to use a percentage higher than 21% in calculating the maximum total cost example. The result of the proposed estimate rule would make the loan appear to be more expensive, at its maximum possible rate, when in fact the opposite is true.

To avoid this disparity, Chase recommends that where a creditor is in a state with no usury limit and the borrower credit agreement or promissory note does not specify a maximum rate; the Board require the assumption of a percentage at least as high, if not higher than the highest specified percentage of any state. To facilitate this and ensure that creditors employ the same assumption, we recommend that the Board publish the rate that should be used in these circumstances, based on at least the highest usury limit that would be applicable to private student loans.

Proposed Commentary 38(b)(5)-1 Notice of 30 day acceptance period

The last sentence provides that "[t]he disclosure must also specify the method or methods by which the consumer may *cancel*. Chase recommend that the Board change the word "cancel" to "communicate acceptance".

226.39(b) – Co-Branding

In the Proposal, the Board provides a co-branding safe-harbor that would allow a creditor to use a school's name, emblem, mascot, or logo in the marketing of private student loans. Chase recommends that the Board remove 226.39(b) from the final regulations. This provision is contrary to Congressional intent of the HEOA.

Moreover, section 226.39(b) will conflict with most state required codes of conduct for schools, including the School Code of Conduct adopted by the New York State Attorney General (that was enacted into law as the New York SLATE Act), Department of Education regulations relating to FFELP loans, and other provisions in the HEOA relating to both private education and FFELP loans. We believe that consistent application of the conflict of interest provisions is in the best interest of students as well as schools and creditors that participate in the student loan programs.

226.39(c) - Method of Acceptance

1. Electronic Acceptance - The only restriction placed on methods of acceptance is that electronic acceptance may not be the sole method offered.

We suggest that, where the applicant has chosen to apply electronically (i.e., in a web-based application) and consented under the federal E-SIGN Act to receive the required disclosures electronically, it would be reasonable for the creditor to require electronic acceptance of the loan as the sole method offered.

2. Other Methods of Acceptance – For a private student loan, consumers will often receive an "Approval Disclosure" prior to signing a promissory note. Accordingly, we request that the commentary to the final regulation specifically clarify that an allowed method of acceptance may be by signing and submitting the promissory note to the creditor. In order for this method to be effectuated, the creditor would be required to provide clear and conspicuous language informing the borrower that by signing and submitting the promissory note to the creditor, the borrower accepts the terms and conditions of the loan as disclosed in the "Application Disclosure."

226. 39(c) and (d) – Acceptance and Cancellation

1. Ability to Exercise Right – Proposed section 226.37(f) provides that the disclosures may be provided to any consumer who is primarily liable on the obligation. However, proposed section 226.39(c) and (d) do not similarly provide that the right of acceptance and cancellation may be exercised by only the primary obligor. Allowing either the borrower or the cosigner to exercise rights of acceptance and cancellation would unnecessarily complicate and potentially slow the loan process.

Chase requests that the Board clarify its comments to Sections 226.37(f), 226.39(c), and 226.39(d) by specifying that only the primary obligor receiving the required disclosures may exercise the right to accept and the right to cancel as set forth in the "Approval Disclosure" and the "Final Disclosure".

2. At The Consumer's Request – Chase requests that the Board clarify that a change in the loan terms as the result of a school certification is permitted either because it is 'at the consumers request" or because it is a permitted condition of approval. A corresponding change is also required to the first sentence in the proposed commentary 39(c)(4) that changes to the loan terms as a result of a school certification is not 'in the absence of a request from the consumer." Chase also recommends that the Board change the reference to Section 226.38(b)(2) in Section 226.39(c)(3) to Section 226.38(b).

3. Right to Cancel – Chase believes that one of the dates in the example in the proposed commentary 39(d)-1 should be changed from "Wednesday, June 10" to "Thursday, June 11".

226. 39(f) – Application Disclosures to Schools

The Proposal requires that a creditor that has a preferred lender arrangement with a school must provide that school annually, by January 1, the information required under sections 226.38(a)(1), (2), (3), and (5), for each type of private student loan that the creditor plans to offer students attending the school for the period beginning July 1 and ending June 30 of the following year.

Disclosures provided by January 1 will not be meaningful to schools because creditors do not typically finalize product offerings for the upcoming academic year by January 1. In addition, many schools may not finalize their preferred lender list until a later date.

Chase therefore suggests that the Board allow creditors to deliver the required disclosures to the applicable schools no later than April 1 of each year, or, if later, within 30 days after the creditor is notified by the school that it has been selected as a preferred lender on its lender list.

Appendix H --Models and Samples

1. Two-sided printing - Many creditors may wish to present the disclosures on both sides of a single sheet of paper in order to reduce paper usage and cut paper and mailing costs. We request that the Board provide clarification whether the disclosures may be provided on two sides of a single sheet.

2. Sample Forms - We appreciate the inclusion of sample forms, to provide greater clarity regarding the use of the models. We request that the models be enhanced to provide examples of the use of loan origination fees, to demonstrate how the Board intends for these amounts to be disclosed as part of the itemization of the amount financed.

Chase appreciates the opportunity to comment on the Proposal. For any questions you may have about these comments, please feel free to contact me at (516) 745-4564.

Sincerely,

Jeffrey Levine