

From: THE UNIVERSITY OF IOWA, Marc Davis
Subject: Reg Z - Truth In Lending

Comments:

Public Comments on Regulation Z; Docket No. R-1353: Truth in Lending:

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Submitter Info:

First Name: MARC
Last Name: DAVIS
Mailing Address:
City:
Country:
State or Province:
Postal Code:
Email Address:
Organization Name: THE UNIVERSITY OF IOWA

Comment Info:

General Comment: The University of Iowa wishes to comment on the proposed amendments to Regulation Z, which implements the Truth in Lending Act (TILA). The University of Iowa awards, disburses, and administers both long-term and short-term institutional student loans. Long-term institutional loans are given to students to supplement their financial aid award package. Short-term institutional loans are given to students on an emergency basis to cover immediate needs.

- 1) Institutional long-term educational loans ? Student loans from institutional funds, and are administered using the same policies and procedures as mandated under Title IV of the HEA.
- 2) Institutional short-term emergency loans ? loans awarded on an ?immediate need? basis, and typically provide for repayment within a one-year period and a lump-sum repayment installment.

The University of Iowa recommends that college and university ?institutional? loans whether short-term or long-term be excluded from the definition of ?private loans?, and not be subject to the disclosure and timing requirements proposed under Regulation Z, Docket #R-1353. The following are reasons for this recommendation:

- a) Self-Certification: Requiring a college or university to provide self-certification for loans awarded from its own loan resources would be unnecessarily

redundant. By the nature of the college and university financial aid environment one can safely presume that institutional loans are for the purpose of educational expenses. Such institutions have no interest in making loans for other purposes and an additional certification is meaningless given the limited context in which such loans are made.

b) 30-day right of acceptance: Students awarded institutional loans through financial aid packaging procedures are provided the opportunity to cancel these loans up to the day of disbursement. Imposing a second or separate disclosure requirement could potentially confuse borrowers as much or more than it would inform them.

c) Right to cancel loan up to 3 business days after consummation: Requiring a college or university to withhold disbursement of emergency loan funding for a 3 day waiting period would cause severe administrative difficulties and hardships for students needing this type of immediate aid. As described above, such loans are often made to meet emergency needs and a 3 day waiting period significantly limits their potential usefulness to the student population.