

American Association of State Colleges and Universities
1307 New York Avenue, NW
Washington, DC 2005

May 26, 2009

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

Re: Docket No. R-1353

Dear Ms. Johnson:

The American Association of State Colleges and Universities (AASCU), with a membership of 430 public colleges and universities, offers the following comments on the proposed amendments to Regulation Z (Truth in Lending), Docket No. R-1353 necessitated by the passage of the Higher Education Opportunity Act.

We agree with our sister associations who ask for an exemption for loans made under Title VII and Title VIII of the Public Health Service Act. We are in general agreement that institutional loans that are funded by endowments or institutionally funded revolving funds with terms equal to, or better than, the Federal Stafford loans should also be exempt from the disclosure requirements in section 226.37. The point of revolving funds is particularly important in this exemption to forestall the use of installment agreements in the guise of loans to circumvent the disclosure requirements. The establishment of a revolving fund by an institution generally indicates a substantial financial commitment to the institutional loan program.

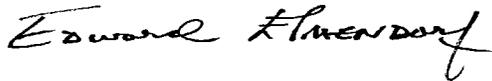
We are sensitive to the concept that tuition payment plans that require periodic payments in a period of time less than a year are not loan programs in the context of the disclosure requirements. However, since some providers of the payment plans are subsidiaries of student loan companies, we believe there should be protection for the institution and the consumer in the form of restrictions on co-branding of the plans to prohibit the use of the plan enrollment and informational websites to provide information about and links to loan products offered by the companies related to the plan provider.

While most of the tuition payment plans only charge a participation fee, in the case where these plans do charge interest, late fees, or penalties for late payments, there should be disclosure requirements similar to the requirements in section 226.38(b)(2) to fully inform the consumer.

We suggest that section 226.39(e) permit institutions to substitute electronic submission of certification data for the self-certification. However, in return for the operational efficiency of electronically transmitted certification data, lenders need to transmit a confirmation of the receipt of certification data with the expected amount of loan proceeds to be disbursed to the institution prior to the consummation of the loan. This confirmation transaction is particularly important, in the case of DTC loans, to assist institutions in properly advising students about the ramifications of securing private loans and the impact on other aid that has been awarded as well as the effort to prevent excessive borrowing by the student.

We thank you for the opportunity to submit comments to assist in promulgating a final regulation that will protect the consumer. Please feel free to follow up with us if there are any questions about the comments.

Sincerely,

A handwritten signature in black ink that reads "Edward M. Elmendorf". The signature is written in a cursive style with a prominent initial "E" and a long, sweeping underline.

Edward M. Elmendorf
Senior Vice President
Government Relations and Policy Analysis