

From: James Madison University, Brad Barnett  
Subject: Reg Z - Truth In Lending

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Comments:

Comment on Self-Certification Form:

Origin: HEOA section 493  
Statutory Cite: HEA section 487 (a) (28)  
Regulatory Cite: 668.14 (b) (29) and 226.39 (e)  
Issue: Private Education Loan Certification

Thank you for the opportunity to respond. I am a financial aid administrator and have been informed, from the Department of Education (ED), that direction on this issue will come from the Federal Reserve Board and we should make comments appropriately.

The crux of the matter is the self-certification form requirement for private loans. Proposed language for this process states that institutions "will provide to the applicant the self-certification form required under 34 CFR 601.11 (d) and the information required to complete the form". It goes on to state that schools must provide:

- The applicant's cost of attendance (COA)
- The applicant's expected family contribution (EFC) (if FAFSA completed)
- The applicant's estimated financial assistance (EFA)

It further states that schools will provide the difference of the COA and EFA. There are several concerns I have with this possible practice:

- 1) Currently, if a private educational loan certification request is sent to the school, the school provides the above information (with the exception of the EFC as this is NOT applicable) and much more, to include: enrollment status, anticipated graduation date (AGD), and the date requested.
- 2) Therefore, since schools currently provide this information directly to the lending entity, this secure and viable transmission of information covers all aspects of current T-IV regulations and ensures compliance.
- 3) By adding this additional layer of work, schools will be duplicating work. This will result in the delay of funds delivered to the student by the lending entity. Students will be harmed by this duplication and colleges and universities will bear the brunt of angry parents and students.
- 4) Integrity becomes an issue. Currently, for school certified loans, the lending entity has directly from the institution viable information (COA, EFA, and enrollment status) and the school is responsible for said information. If schools are required to provide a self-certification form to the student, students may well change the required data before sending off to the lending entity. This will result in conflicting information (if this is a school certified loan) and further delay delivery of funds to the student.
- 5) It has been communicated that the intent of Congress was to combat what is known as direct to consumer loans (DTC loans). Thus, schools sometimes certify loans directly (thus ensuring COA is not exhausted) and sometimes the lending entity does NOT require the school to certify these private loans (thus, high

indebtedness may easily be the result).

6) The self-certification form, for DTC loans ONLY, is appropriate. It will be very harmful, burdensome, and the unintended consequence of duplication, integrity, and delay of funds will indeed be the result. Since DTC loans currently do NOT come through the financial aid office, students may well be borrowing funds that sky rocket. Thus, this self-certification form is appropriate for DTC loans.

7) Some of the larger institutions have upwards of 5000 applications. These are applications that are directly certified by the financial aid office. If this self-certification form is required by private educational loans currently certified by the financial aid office, 10000 applications will be the yield. This number of DUPLICATIVE work is astounding. While smaller schools will have smaller numbers of applications, these numbers are proportional to enrollment to the resource of financial aid staff members. In other words, if a school is smaller, the applications for private loans would be considered very high relative to their institution.

8) Legal counsel from the Federal Reserve Board has noted, during negotiated rule-making, they will view these comments and may make appropriate decisions. We applaud this cooperative response and do hope my comment is strongly considered.

Thank you for your consideration of my comments.

Sincerely,

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Psalm 118:24: This is the day which the Lord hath made; we will rejoice and be glad in it.