

From: Carol Parker
Subject: Reg Z - Truth In Lending

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

As a Financial Aid Administrator, I have been informed by the Department of Education (ED) that direction regarding the issue of self-certification of private loans will come from the Federal Reserve Board, so thank you for the opportunity to comment.

Our concern is the impact of requiring a self-certification form for a private loan. The proposed language for this process states that institutions "will provide to the applicant the self-certification form required by 34 CFR 601.11 (d) and the information required to complete the form." It goes on to state that schools must provide the following information: applicant's cost of attendance (COA); applicant's expected family contribution (EFC) if FAFSA is completed; applicant's estimated financial assistance (EFA); and the difference between the COA and EFA.

There are several key points to be considered.

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) as well as enrollment status, anticipated graduation date (AGD), and the date the loan is requested.

2) Since schools currently provide this information directly to the lending entity, this secure and viable transmission of information covers all aspects of current Title IV regulations and ensures compliance.

3) By adding this self-certification form, institutions will be required to duplicate work which will result in the delay of funds delivered to the student by the lending entity. Students will be negatively impacted by this delay in funding, and colleges and universities will bear the brunt of angry parents and students. The increased workload created by this requirement will cause an additional burden on the institution.

4) Currently, for school certified loans, the lending entity receives information (COA, EFA, and enrollment status) directly from the institution. If institutions are required to provide self-certification forms to the student, the student will have the opportunity to change the required data before sending it to the lending entity. Conflicting data will require reconciliation, and the end result of such actions will be further delays in 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). Currently institutions certify most loans directly to the lender, but sometimes the lending entity does NOT require the school to certify these private loans and high indebtedness may result. Therefore, the self-certification form for DTC loans ONLY is appropriate.

7) Some of the larger institutions have as many as 5000 loan applications that are directly certified by the financial aid office. If this self-certification form becomes a requirement for private educational loans certified by the financial aid office, then 10,000 applications will be the yield. The amount of duplicated work will be devastating to institutions with small financial aid

staffs.

Legal counsel from the Federal Reserve Board has noted during negotiated rule-making that they will view these comments and make their decisions accordingly.

Thank you in advance for your consideration of my comments.

Sincerely,

Carol T. Parker