



**Docket ID: ED-2007-OPE-0133**

August 8, 2007

Ms. Gail McLarnon  
U.S. Department of Education  
1990 K Street, N.W.  
Room 8026  
Washington, D.C. 20006

Dear Ms. McLarnon,

On behalf of the Michigan Student Financial Aid Association (MSFAA), an organization representing financial aid professionals at postsecondary institutions in the state of Michigan, I am submitting the following comments on the Loan NPRM published in the Federal Register on June 12, 2007. Thank you for the opportunity to suggest modifications to the proposed regulations, and please note that MSFAA is supportive of many of the intended changes in the NPRM.

Our suggested changes are offered in the spirit of improving the regulatory language to better serve our nation's student and parent borrowers, improve the administration of the Title IV loan programs, and meet the administrative needs of financial aid offices and, if possible, reduce administrative burden on postsecondary institutions. If the Department has any questions about our recommendations or comments, please contact me.

Sincerely,

Diane Lambert Fleming  
Margaret Rodriguez  
Co-Chairs, MSFAA Federal Issues Committee



**Simplification of Deferment Process** (Preamble pages 32411-32412; Regulations Sec. 674.38, pages 32435-32436; Sec. 682.210, page 32439; and Sec. 685.204, pages 32445-32446)

MSFAA supports the proposed regulatory changes contained in the NPRM allowing Perkins schools, FFEL lenders, and the Secretary (for the DL program) to grant graduate fellowship deferments, rehabilitation training program deferments, unemployment deferments, economic hardship deferments and military service deferments based on information from another FFEL loan holder or from the Department or, for Perkins purposes, from another Perkins lender. We also support allowing a representative of the borrower to apply for a military deferment on a Perkins, FFEL or Direct Loan on behalf of the borrower. Facilitating this important benefit for a borrower simplifies the loan repayment process and supports the goal of reduce delinquencies in the federal loan programs.

**Mandatory Assignment of Defaulted Perkins Loans**

(Preamble pages 32418-32419; Regulations Sec. 674.8, page 32435; and Sec. 674.50, page 32436)

MSFAA does not believe the Department has statutory authority to require the mandatory assignment of Perkins Loans; COHEAO and others have overwhelming proved that fact. We urge the Secretary to withdraw this proposed regulation.

Institutions take advantage of the option of assigning defaulted Perkins Loans to the Department for collection when they have exhausted all avenues available to the institution for collection of the delinquent loans. We believe that leaving the decision to the institution is appropriate.

If the Secretary does not withdraw this regulation we would support the NASFAA recommendation that mandatory assignment should only occur when the following conditions are met:

1. The principal loan balance must be \$1,000 or greater, and
2. The loan has been in repayment status for ten years, excluding deferment and forbearance periods, and
3. No payments have been received for two years (which is consistent with write-off criteria for small balances).

Further, we strongly recommend the proceeds collected by the Secretary (minus an amount not to exceed 30 percent) must be repaid to the originating school's fund not later than 30 days after collection by the Secretary from the borrower or if the school no longer participates in the Perkins Loan Program, then the collection proceeds should be reallocated to other participating institutions. The Department should not require assignment of a loan for which a court judgment has been rendered in favor of the school.

### **Accurate and Complete Copy of a Death Certificate**

(Preamble pages 32412-32413; Regulations Sec. 674.61, pages 32436-32437; Sec. 682.402 pages 32441-32443; and Sec. 685.212, page 32446)

MSFAA supports this change which will simplify the discharge process and reduce the current burdensome regulatory requirement during a time of extreme stress for surviving family members.

**Total and Permanent Disability Discharge** (Preamble pages 32413-32414; Regulations Sec. 674.61, pages 32436-32437; Sec. 682.402, pages 32441-32443; and Sec. 685.213, pages 32446-32447)

Increasing a borrower's reporting responsibilities and the potential response time for loan discharge is a disservice to borrowers facing significant personal challenges due to their disabilities. Though we understand the need for secure processes that prevent fraudulent claims, current regulatory requirements seem to provide adequate safeguards.

**NSLDS Reporting Requirements** (Preamble pages 32414-32415; Regulations Sec. 674.16, page 32435; Sec. 682.208, page 32439; Sec. 682.401, pages 32440-32441 and Sec. 682.414, pages 32443-32444)

We recognize importance of timely reporting to the NSLDS and the efficiencies that this system has brought to our processes for awarding and monitoring financial aid programs. It is essential that the need for timely information is weighed against the ability of the reporting entities to meet specific deadlines and that entities reporting to the NSLDS participate in defining the reporting requirements and setting the reporting timelines. Though we trust the Secretary to act in good faith, it is essential that participants also have an opportunity to comment on the reporting requirements and timelines.

### **Certification of Electronic Signatures on Master Promissory Notes (MPNs) Assigned to the Department**

(Preamble pages 32415-32416; Regulations Sec. 674.19, page 32435; Sec. 674.50, page 32436; Sec. 682.409, page 32443; and Sec. 682.414, pages 32443-32444)

The proposed regulation would require an institution to create and maintain a record regarding how an electronic MPN was executed, including copies of screens the borrower would have seen, field edits and other security measures, and signature authentication. It also states that the institution must respond to requests from ED within 10 business days. Further, schools must retain this information for 3 years after all loans have been "satisfied".

Changes in technology that schools are currently using to collect MPNs guarantee that whatever online system is being used to collect data and signature for an electronic MPN likely will have changed by the end of the 13 year retention period established under this proposed regulation. The expectation that the school could collect documentation and respond to ED within ten business days seems unreasonable.

To comply with this requirement, schools would need to keep copies of each iteration of their electronic MPN site, traceable by date of implementation, in order to supply the required screens, field edits, etc. This is an especially difficult burden since most often these data systems are not under the control of, nor housed in, the financial aid office.

Furthermore, it is our position that the case of a borrower dispute questioning the validity of the electronic signature is extremely rare. We respectfully submit that requiring institutions to take on this administrative burden on the outside chance that one or two students will dispute the validity of the signature at some future date is unreasonable.

We respectfully request that the Secretary withdraw this regulation.

#### **Eligible Lender Trustees (ELTs)**

(Preamble page 32424; Regulations Sec. 682.200, page 32438 and Sec. 682.602, page 32444)

MSFAA supports the changes contained in the proposed regulation.

#### **Loan Discharge for False Certification as a Result of Identity Theft**

(Preamble page 32425; Regulations Sec. 682.208, page 32439; Sec. 682.211, pages 32439-32440; Sec. 682.300, page 32440; Sec. 682.302, page 32440; and Sec. 682.411, page 322443)

MSFAA supports the proposed changes and the NASFAA suggestion that “the law needs modification since the standard for proof “of the crime of identity theft” presents too high a standard to meet through the judicial system for the victims. The law and the Department’s correct interpretation, we think, of that law, unfortunately, is inflexible and continues the victimization of those whose lives are disrupted by such criminal acts.”

#### **Loan Counseling for Graduate or Professional Student PLUS Loan Borrowers**

(Preamble pages 32417-32418; Regulations Sec. 682.603, pages 32444-32445; page 682.604(f), page 32445; Sec. 682.604(g), page 32445; Sec. 685.301, page 32447; Sec. 685.304(a), page 32447 and 685.304(b), page 32447)

MSFAA agrees that Graduate PLUS borrowers would benefit from loan counseling and suggests that the Department develop loan counseling modules. i.e., entrance and exit, available through their web site at which students would complete the process, which would meet the requirements of this section.

**Maximum Loan Period** (Preamble page 32418; Regulations Sec. 682.401, pages 32440-32441; Sec. 682.603, page 32444-32445; and Sec. 685.301, page 32447)

MSFAA supports allowing schools to certify a single loan for students in non-term or nonstandard term programs longer than 12 months as proposed in the NPRM.

**Child or Family Service Cancellation**

(Preamble pages 32419-32420; Regulations Sec. 674.56, page 32436)

MSFAA supports the codification of earlier Departmental guidance on this issue.

**Frequency of Capitalization**

(Preamble pages 32424-32425; Regulations Sec. 682.202, pages 32438-32439)

MSFAA supports the technical change as proposed in the NPRM aligning the FFEL Program with the DL program in terms of the frequency of capitalization.