

From: Utz, Jon
To: ["Diane Cheng"](#)
Cc: [Grebeldinger, Beth](#); [Mullan, Kate](#)
Subject: RE: TICAS 30-Day Comments on Direct Subsidized Loan/Direct Unsubsidized Loan MPN (1845-0007)
Date: Monday, December 16, 2013 4:12:00 PM
Attachments: [TICAS 30-Day Comments.pdf](#)

Diane,

Thank you for the comments on the Direct Subsidized Loan/Direct Unsubsidized Loan MPN (OMB No. 1845-0007) that you submitted on behalf of The Institute for College Access and Success (TICAS) in response to the Federal Register Notice that was published on November 7, 2013. For reference, your comments are attached.

The two comments that you submitted are copied below, followed by the U.S. Department of Education's responses. Please let me know if you have any questions.

Comment #1:

We write to express our general support for the proposed changes to this form and to recommend two specific improvements. We appreciate that this new version is more readable and easy to understand than the current form. In particular, the Borrower's Rights and Responsibilities Statement provides clearer descriptions of the income-driven repayment plans (Income-Based Repayment, Pay As You Earn, and Income-Contingent Repayment). The new tables in that section also make it easier for borrowers to estimate what their payments might be under the different plans.

However, as we mentioned in our recent comments on the DL Repayment Plan Selection Form, **we recommend revising the calculation of total payment amounts under the income-driven repayment plans to more accurately reflect projected increases in the U.S. Department of Health and Human Services (HHS) Poverty Guidelines over time.** Specifically, the calculations for these tables should base the estimated annual increase in HHS Poverty Guidelines on projected increases in the Consumer Price Index (CPI-U). Projected increases in the CPI-U are the best proxy for future poverty guidelines. It appears that the proposed form instead uses a historical average rate of poverty guideline increases (3.30%). HHS annual poverty guidelines are calculated based primarily on the CPI-U. In its projections of CPI-U, the Congressional Budget Office (CBO) assumes that the Federal Reserve will, on average, succeed in keeping inflation at its inflation target. This approach is better than relying on historical data for poverty guidelines or the CPI-U, which may be distorted by abnormally high or low rates during periods of recession or other economic events, or when the Federal Reserve allowed for higher rates in the past. This adjustment would more accurately estimate the total amount borrowers are likely to pay over their entire repayment period under IBR, Pay As You Earn, and ICR.

To ensure consistency across Department of Education materials, we urge that this change be reflected in all Department forms and online resources, especially the online repayment estimator on StudentLoans.gov, as quickly and simultaneously as possible.

Response:

The calculations have been revised as suggested in the repayment charts that appear at the end of the Direct Subsidized Loan/Direct Unsubsidized Loan MPN (OMB No. 1845-0007) as well as the Direct PLUS Loan MPN (OMB No. 1845-0068).

Comment #2:

Additionally, we recommend that **the promissory note require borrowers to certify that they have completed entrance counseling** (Section C, item 12). Entrance counseling has the potential to help students optimize their borrowing and better understand the risks and benefits of taking out loans. Currently, entrance counseling is only required before the first loan disbursement and can occur after the promissory note is signed. This is problematic because loan counseling should be conducted when it is most likely to have an impact – before students commit to borrowing. Therefore, it would be more effective to require entrance counseling before the promissory note is signed.

Response:

There is no authority under the law to add language to the MPN requiring borrowers to certify that they have completed entrance counseling before signing the MPN. Section 485(l)(1) of the Higher Education Act of 1965, as amended (the HEA) specifies that entrance counseling is required at or prior to the time a loan disbursement is made to a first-time borrower.

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