

Document: ED-2022-SCC-0037-0008

Tracking Number: 139-2ct5-s4zo

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Comment Summary:

1. The Master Promissory Note should be given a more accessible, common-sense name or subtitle, such as "Student Loan Agreement," so that students understand they are signing a contract to repay a loan.
2. Because legal language is not often accessible to students, the Master Promissory Note should also begin with a large image of a stop sign with a warning such as "Stop: Do not sign this unless you want student loans. You will have to pay back the loans."
3. For students with full-funded veterans education benefits, we recommend that you require an *annual* renewal of any Master Promissory Note to ensure that students truly do not want new loans each year.
4. For these fully-funded students, we also recommend you require financial counseling regarding any loans in the presence of a witness not connected with the institution, to ensure students don't unwittingly take on loans.

ED Response:

1. We believe that the current name of the form and the language on the form make it clear that the person who signs the Master Promissory Note is agreeing to repay a loan. The term "Master Promissory Note" reflects the name of the document as used in the Higher Education Act of 1965, as amended (the HEA), and in the Direct Loan Program regulations, and the term "promissory note" is an established term generally understood to refer to a legally binding agreement to repay a loan. In addition, the Master Promissory Note (MPN) contains language prominently stating that the borrower may receive one or more loans under the MPN, and that the borrower must repay all loans made under the MPN.
2. Current language and procedures clearly inform borrowers that the MPN is an agreement to repay a loan and provide options for cancelling all or part of a loan. As noted in the response to comment #1, the MPN includes language prominently stating the borrower may receive one or more loans under the MPN and must repay all such loans. Further, borrowers who choose to complete the MPN electronically on the Department's StudentAid.gov website (the majority of borrowers choose this option) are clearly informed before they begin the MPN process that the MPN "is a legal document in which you promise to repay your loan(s) and any accrued interest and fees to the U.S. Department of Education."

As explained in the Borrower's Rights and Responsibilities section of the MPN, a borrower who does not wish to receive a loan after signing the MPN may cancel the loan at any time before the loan money is disbursed by notifying the school. After a loan has been disbursed, a borrower may cancel all or part of a loan by notifying the school within certain timeframes. Federal regulations require schools to notify Direct Loan borrowers of the timeframes for cancelling a loan and the procedures for doing so. The Department also sends a separate notification to borrowers showing the anticipated amounts of the loans that the school plans to disburse and the anticipated disbursement dates, and explaining the procedures for cancelling all or part of a loan.

3. The HEA and the Direct Loan Program regulations explicitly provide for the MPN to be used as a multi-year promissory note. However, schools that participate in the Direct Loan Program may choose to require borrowers to complete a new MPN each year, and borrowers also have the option of completing a new MPN each year.
4. Without a statutory or regulatory change, the Department could not require borrowers to complete the recommended financial counseling as a condition for receiving loans. However, required entrance counseling emphasizes the repayment obligation for borrowers receiving loans.