



WASFAA

Western Association of Student Financial Aid Administrators

September 5, 2014

Re: Docket ID ED-2014-OPE-0082

Subject: NPRM on Eligibility for Direct PLUS Loan

The Western Association of Student Financial Aid Administrators (WASFAA) represents over 600 financial aid professionals in the states of Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington and the Pacific Islands. We would like to take this opportunity to submit comments on the proposed regulations that will strengthen and improve the administration of the Federal Direct PLUS Loan program for both parents and graduate and professional students. Changes for this program are needed since the current regulations governing terms such as "adverse credit history" have not been updated since the Direct Loan Program was established 20 years ago.

Parent PLUS Borrower: Adverse Credit History (34 CFR 685.200(c)(2))

We support the change that considered a PLUS loan applicant to have adverse credit when they were 90 or more days delinquent on any debt amount to applying a monetary threshold level. The level of \$2,085 for outstanding balances that are 90 or more days delinquent as of the date of the credit report is reasonable and agree that an applicant should not be considered to have an adverse credit history unless the applicant's debts have a total combined outstanding balance greater than \$2,085.

Adjustment Over Time of the \$2,085 Amount (no previous statute)

We would recommend that, in the Secretary's determination of adjusting the \$2,085 amount over time, that indexing the amount to the Consumer Price Index (CPI) be utilized as it is the most commonly used measure of inflation. Instead of adjusting the amount of debt annually, averaging the rate over a time period of two or three years would smooth out abrupt and relatively short-term changes and reduce volatility.

Collection or Charged Off (no previous statute)

We support the proposed regulation that would reduce the current look-back period for debts in collection or debts that have been charged off of five years to two years preceding the date of the credit report. We agree that a one-year look-back period is not sufficient and that a five-year look-back is not appropriate for PLUS loans.

Extenuating Circumstances (34 CFR 685.200 (c)(2))

The proposed regulation will require a parent or graduate student PLUS loan applicant who is ineligible for a PLUS loan due to adverse credit history, but who documents to the satisfaction of the Secretary that extenuating circumstances exist, would be required to complete loan counseling as an additional condition for receiving the PLUS Loan. The Secretary is requesting

comment on whether the loan counseling requirement for applicants who qualify due to extenuating circumstances should also apply to the applicant who obtains an endorser who does not have an adverse credit history. We agree that these applicants with endorsers, like PLUS loan applicants who qualify due to extenuating circumstances, would also benefit from additional loan counseling.

Validity for Credit Checks for 90 Days

Presently, an approved credit check remains valid for purposes of determining an applicant's eligibility to receive a PLUS loan for 90 days from the date on which the credit check was performed. For institutions and students, this time period is not long enough. If the time period between the student applying for the loan, triggering a credit check, and the school processing and originating the loan for the next academic year occurs more than 90 days apart, the student must reapply for a second credit check. This situation will be satisfactorily addressed with the Secretary's decision to modify its procedures so that a credit check that indicates that the applicant does not have adverse credit history would remain valid for 180 days. We agree that the present 90 day time when a credit check remains valid is too short but that a longer period over 180 days may be too long.

Enhanced PLUS Borrower Consumer Information

We are encouraged by the Department's agreement that consumer information specifically targeted at parent PLUS loan applicants needs development and agree with incorporating the information in the existing PLUS loan application process. We look forward to the enhanced consumer information and more robust resources for parent PLUS applicants that will be provided by the Department. Fact sheets, estimates of monthly payment and links to information on other ED web sites would be beneficial for parents to evaluate their ability to repay PLUS loans. We understand that the Department does not have legal authority to mandate entrance counseling for parents and support voluntary entrance counseling for all parent PLUS applicants as an online financial tool. Providing information on monthly payments, total interest charges and final repayment amount works as a debt management tool for student borrowers and may alter borrowing decisions for parent borrowers. On line tools work best for students but perhaps for parents the addition of paper informational pamphlets and workbooks would be helpful to those who have computer literacy challenges or do not have access to a computer. In addition it would be beneficial if the counseling information for parents be made available in Spanish.

Summary

The Secretary estimates that modification made in the proposed regulations will increase the number of successful PLUS applicants by approximately 370,000. This will improve the access to postsecondary education through the PLUS loan. The addition of financial literacy counseling and tools will hopefully limit over-borrowing. We are encouraged by the data recently released by the Department that revealed PLUS loan default rates are well below Stafford loan default rates. The PLUS loan has been very successful for graduate and professional students with a 1 percent default rate. We appreciate the work of the Negotiated Rulemaking committee and process in addressing the issues and problems associated with the Federal Direct PLUS program and look forward to the final regulations.

If you have questions or require additional information, please feel free to contact one of the WASFAA representatives listed below.

With best regards,

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