

December 9, 2013

Director of the Information Collection Clearance Division
U.S. Department of Education
400 Maryland Avenue SW, LBJ, Room 2E103
Washington, DC 20202-4537
(submitted electronically via: www.regulations.gov)

Re: Docket ID ED-2013-ICCD-0108

Dear Director,

In response to the Federal Register notice published on November 7, 2013, I am writing to comment on the proposed Direct Loan Master Promissory Note (MPN).

The Institute for College Access & Success (TICAS) is an independent, non-profit organization that works to make higher education more available and affordable for people of all backgrounds. Our Project on Student Debt works to reduce the risks and burdens of student debt and raise awareness of how rising debt levels can affect outcomes for our nation's students, economy, and society.

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.

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.

Thank you for the opportunity to comment on this proposed form. If you have any questions about our comments, please feel free to contact me at (510) 318-7900 or dcheng@ticas.org

Sincerely,

A handwritten signature in black ink, appearing to read "Diane Cheng". The signature is fluid and cursive, with the first name "Diane" and last name "Cheng" clearly distinguishable.

Diane Cheng
Research Analyst