

# Regulation Z Frequently Asked Questions

Educational Computer Systems, Inc.





## ***Regulation Z Frequently Asked Questions:***

### **What is Regulation Z?**

On February 14<sup>th</sup>, 2010, Regulation Z of the Higher Education Opportunity Act's Title X will take effect. Regulation Z consists of three disclosures provided to the borrowers of private education loans at specific intervals of the loan application and approval process. These disclosures are required for every private education loan a school or lender provides, and must contain special HEOA requirements and content.

### **What is a Private Education Lender?**

The term creditor applies to an entity that extends consumer credit more than 25 times in a calendar year as required more than four payment installments. This excludes institutions that only make extensions of credit with a term of 90 days or less (emergency loans) from the definition of private education lender. Institutions that offer interest free tuition billing plans where the term of the transaction is not greater than one year - even if the credit is payable in more than four installments - are also excluded from the definition of private education lender.

### **What is a Private Education Loan?**

A loan that is not made, insured, or guaranteed under the title IV of the HEA of 1965 and is extended expressly, in whole or in part, for postsecondary educational expenses to a consumer regardless of whether the loan is provided through the educational institution that the student attends.

### **Are there exemptions to the Private Education Loan definition?**

The following scenarios are exemptions to the Private Education Loan definition:

- Extensions of credit that are extended to students for expenses incurred after graduation from law, medical, dental, veterinary or other graduate school and related to relocation, study for a bar or other examination, participating in an internship or residency program, or similar purpose, according to the final rules explanatory text. Creditors that offer these types of loans would still be required to comply with general TILA disclosure requirements in Sections 226.17 and 226.18.
- Extensions of credit with a term of 90 days or less.
- Tuition billing plans where an interest rate will not be applied to a balance and the term of the transaction is not greater than one year, even if the credit is payable in more than four installments.

### **What is the first disclosure?**

Disclosure 1 is the Loan Application and Solicitation Disclosure (*Sections 226.46(d)(1) & 226.47(a)*). Schools or lenders must provide general information about loan rates, fees, and terms and must also inform a prospective borrower of the potential availability of Federal student loans and the interest rates for those loans, and where to locate additional information.

### **What is the second disclosure?**

Disclosure 2 is the Loan Approval Disclosure (*Sections 226.46(d)(2) & 226.47(b)*). When the school or lender approves the borrower's application for a private education loan, they must give the borrower a transaction-specific disclosure, including information regarding the rate, fees and other



terms of the loan. The creditor must also disclose estimates of the total repayment amount based on both the current interest rate and the maximum interest rate that may be charged and the monthly payment at the maximum rate of interest. *30-day Acceptance Period is required with the Loan Approval Disclosure— (Section 226.48(c)).*

Schools or lenders must allow the consumer 30 days after a private education loan application is approved to decide whether to accept the loan offered.

#### **What is the third disclosure?**

Disclosure 3 is the Loan Consummation Disclosure (*Sections 226.46(d)(3) & 226.47(c)*). At consummation of the loan, the creditor must provide updated cost disclosures substantially similar to those provided at approval. The consumer's three-day right to cancel the transaction must also be disclosed. The disbursing of funds must be at least three business days after the consumer receives the final disclosures.

*3-Day Right to Cancel is required with the Loan Consummation Disclosure – (Section 226.48(d)).* The borrower has a right to cancel the loan for up to three business days after consummation. Schools or lenders are prohibited from disbursing funds until the three-day cancellation period has passed.

#### **What is Self Certification?**

The Self-certification form is required by the Department of Education prior to the disbursement of any Private Education Loan. (*Section 226.48(d)*) The consumer must complete a self- certification. The Department of Education has developed a self-certification form.

### ***ECSI Regulation Z Servicing Solution Frequently Asked Questions:***

#### **How will ECSI provide the Loan Application and Solicitation Disclosure?**

The Application and Solicitation Disclosure (Disclosure 1) will be part of the online Private Education Loan Application. Should a university or lender decide not to utilize an application, Disclosure 1 can be provided with financial aid award letter.

#### **How will ECSI provide the Loan Approval Disclosure?**

The Loan Approval Disclosure (Disclosure 2) will be provided electronically as part of the Online Promissory Note process. If a university or lender does not have a promissory note, Disclosure 2 can be a standalone online document.

#### **How will ECSI provide the Loan Consummation Disclosure?**

The Loan Consummation Disclosure (Disclosure 3) will be provided electronically immediately after the Online Promissory Note and Approval Disclosure are eSigned.

#### **Will ECSI provide the Self-Certification Form?**

The Self Certification Form will be provided electronically on the Private Education Loan Application. It will also be included with the Approval Disclosure as part to the Online Promissory Note process if it has not been completed previously. ECSI is required to use the Self-Certification Form provided by the Department of Education.



**Will ECSI have a built in delay to accommodate the 3-day right to cancel?**

The 3-day right to cancel will be recognized by ECSI and the Loan Consummation Disclosure will be available for the borrower to cancel for the required 3 business days.

**What defines a business day?**

The term business day means all calendar days except Sundays and the legal public holidays.

**What types of disclosures will ECSI provide?**

ECSI will incorporate the three model disclosure forms provided by the Truth in Lending Act as suggested by the Federal Government.

**Who do I contact for more information?**

You can call ECSI's sales department at **1.866.841.ECSI (3274)** or e-mail us at [sales@ecsi.net](mailto:sales@ecsi.net). We'd love to hear from you.