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What is the education loan information pilot program?

In the spring of 2018, the Illinois General Assembly passed Senate Bill 2559, which amended the Higher Education Student Assistance Act [110 ILCS 947] to require public institutions of higher learning in Illinois to implement a three-year education loan information pilot program beginning with the 2019-20 award year [110 ILCS 947/83]. The bill became law in August 2018, with an effective date of January 1, 2019.

The program requires that an annual notification be sent to students, parents and guardians to provide information about education loans they have borrowed and estimates of future payments. The program is intended to build awareness about existing student loan debt and help borrowers be better informed as they make future college financing decisions.

What is meant by an "education loan information notification?"

For purposes of this Illinois program, an education loan information notification is one that provides estimated data about a student, parent or guardian's existing education loan debt, estimated repayment information, and resources that are available to assist the borrower(s). Several other states have recently implemented similar programs, often referred to as student debt letters, in an effort to increase awareness and reduce overall student loan borrowing.

For purposes of this program, what is considered an “education loan?”

“Education loan” means any state or federal education loan or other loan used primarily to finance a postsecondary education and related costs of attendance, which could include, but is not limited to, tuition, fees, books and supplies, room and board, transportation, and miscellaneous personal expenses.

Does the January 1, 2019 effective date for the program mean that colleges had to implement their program by January 1, 2019?

No. The legislation went into effect on January 1, 2019 with the expectation that colleges would implement the program during the 2019-20 academic year. Education loan information letters must be provided to student, parent and/or guardian borrowers for the first time by the end of the 2019-20 academic year and in each subsequent year until June 1, 2023 when the pilot program concludes.

Are all postsecondary institutions in Illinois required to participate in this pilot program?

No. The law specifies that only public institutions of higher learning must participate.

Which Illinois schools are considered public institutions of higher learning?

Public universities and public community colleges are considered public institutions of higher learning in Illinois.

What are the required data elements for the education loan information notification?

The pilot program requires the following be provided to borrowers annually in an education loan information notification:

- An estimate of the total amount of education loans taken out by a student, parent, or guardian.
- An estimate of the potential total payoff amount of the incurred education loans, or a range of the total payoff amount for the student, parent, or guardian.
- An estimate of the monthly repayment amount for the total amount of loans the student, parent, or guardian has taken out, including principal and interest amounts. This information should be based on the amount of indebtedness known at the time the information is provided to the borrower.
- The percentage of the borrowing limit that the student has reached at the time the information is provided.
- Information about financial resources available to assist the borrower.

Additionally, the notification may include a statement that the estimates and ranges provided are general in nature and are not meant as a guarantee or promise of the actual projected amount of indebtedness.

Who should receive an annual education loan information notification?

A notification providing education loan information should be provided to all enrolled students who have education loan debt, as well as to the parents or guardians of enrolled students who may have borrowed education loans at your institution. This includes:

- Any enrolled student who has ever borrowed a loan for education expenses while attending your school.
- Any enrolled student who has ever borrowed a loan for education expenses while attending a prior school (for which the school has information).
- Any parent or guardian of an enrolled student for whom you have education loan information.

Are we required to send the annual loan notification to all students or only to students that borrow loans while attending our institution?

The requirement is to provide an annual notification to all students who are enrolled at your institution for whom you have student loan information and to the parents/guardians of enrolled students for whom you have education loan information. The requirement applies to all enrolled students, not just those who are borrowing loans while attending your school during the relevant award year.

Are we required to provide the annual loan notification to students attending our institution who had taken out loans at another school but who are not taking out additional loans while attending our school?

Yes. The intent of the legislation is to provide information to all students who have student loan debt for the purposes of consumer awareness and an attempt at reducing overall student loan borrowing. Excluding students from receiving annual information because they are choosing not to borrow in a particular award year would be inconsistent with the intent of the legislation.

What if a student is less than half-time and not eligible for student loans, do we still need to provide an annual notification to that group of students?

All enrolled students should receive an annual notification if their financial aid history in the National Student Loan Data System (NSLDS) shows that they have had student loans in the past, regardless of their current enrollment level. The purpose of the program is for all students to be aware of their current financial situation and indebtedness so that they are making educated decisions as they make future college financing and enrollment decisions.

Is the debt notification only required after at least one loan has officially been disbursed by any institution? If a student never takes out loan debt, is it correct to assume that he/she will never receive a notification?

Yes.

Are institutions liable for debt estimates provided in the education loan information notification?

No.

Does the notification have to be sent at a certain time during the academic year?

It is up to the institution to determine the best time in the academic year to provide the notification to students and/or parents or guardians. It may be done at the beginning, mid-point, or end of the academic year.

Notifications may be provided to all borrowers at the end of the academic year after all disbursements have occurred, or they may be sent to different populations of students at different points in the year. Schools may also provide the notification more frequently if they would prefer to do so.

Do notifications have to be mailed to students/parents/guardians, or can they be sent electronically?

Education loan information notifications can be mailed to borrowers or provided to them electronically, and colleges may also opt to provide them both ways.

For electronic delivery methods, indebtedness information can be provided directly in emails or indirectly through links that take borrowers to a portal where they can log in and access the information.

In deciding on an electronic approach, keep in mind that the fewer steps a borrower has to take to access their information, the more likely it is they will complete the process and access their data.

Regardless of the delivery method used, colleges should take care to protect borrowers' personal information in all forms of communication.

What are the best sources to use to gather data for the education loan information notification to ensure that it is the most current and accurate?

The National Student Loan Data System (NSLDS) is one of the main data sources from which various loan details can be extrapolated. NSLDS data can provide details on federal loans, such as:

- Type of loan
- Loan balances from current and prior colleges
- Interest rates.

Additionally, data from a college's own financial aid management system will typically be required.

To provide the most complete and accurate summary, the information used to create the education loan notification will likely be a combination of NSLDS data and data available in the school's system(s).

While NSLDS is one of the best sources of information, it's important to keep in mind that the data may not always be the most current due to the timing of when and how often schools/servicers report data to NSLDS.

ISIR data is another good source of loan history information for students who have completed the FAFSA, however, you may not necessarily have an ISIR for all enrolled students with education loan debt.

How should colleges calculate the total amount of education loan indebtedness?

A suggested approach is to collect the most recent NSLDS data and then subtract all loans made at your institution to create an aggregate adjustment that accounts for only loans made outside of your school. Then, using your

internal systems, calculate the total amount of Title IV loans taken out at your institution, including both Federal Direct and Perkins Loans for student borrowers, and the total amount of private and institutional loans of which your school is aware and add that total to the aggregate adjustment amount to determine the estimated total amount of education loans.

Using this approach to create an aggregate adjustment to which you can add your school's loan information may help to avoid having loans counted more than once in the total calculation and helps to identify loan debt at your school separately from other loan debt.

You may also choose to use the NSLDS data as reported and simply add loans of which your school is aware that are not already included in NSLDS data to calculate the total indebtedness.

One of the key challenges in pulling together data for the education loan information notification will be that the data may be incomplete and imperfect for a variety of reasons, one of which is that NSLDS information may not be current when you choose to generate the notification. The focus should be on providing the best summary of all loans you know about based on information readily available to your institution, and then clearly communicating that the amounts are estimates and may not be actual amounts.

For Title IV loan debt, all loans made under the Federal Family Education Loan (FFEL) Program, the William D. Ford Federal Direct Loan (Direct Loan) Program, and the Federal Perkins Loan Program are to be included in the calculation.

Are we required to provide the same level of detail to parent and guardian borrowers that we provide to student borrowers?

In many cases, schools may not have access to the same level of loan history detail for parent and guardian borrowers, therefore, it is acceptable for schools to only provide information to parent and guardian borrowers about loans certified by your institution. The education loan information notification should be directed only to the actual borrower (and not to a spouse or another parent or guardian).

If a student is also a parent borrower, should his/her total loan indebtedness information be provided in one notification?

For clarity purposes, it is recommended that you provide a student in this type of situation with two separate notifications – one that summarizes loan information as a student borrower using NSLDS and school data, and a second one that summarizes their loan information as a parent borrower at your institution.

What interest rate and repayment plan should be used to calculate an estimated monthly payment amount?

It is recommended that schools decide on a reasonable interest rate for each category of borrowers (e.g. students, parents, guardians) and use a consistent approach to calculate an estimated monthly repayment amount based on the standard 10-year repayment plan for each group of borrowers.

As you make the decision on what interest rate to use for repayment calculations each year, consider the following:

- The U.S. Department of Education’s College Scorecard uses the current Direct Loan interest rate and the 10-year standard repayment plan to estimate monthly payment amounts.
- Data used to populate the metrics on ED’s College Financing Plan (formerly the Shopping Sheet) comes from ED’s Integrated Postsecondary Education Data System (IPEDS) and National Student Loan Data System (NSLDS), through the [College Scorecard](#). See January 16, 2019 Electronic Announcement at ifap.ed.gov for more information.

If the student has more than one loan, and each of these loans has different repayment terms and conditions, do we need to calculate repayment amounts for each separate loan, or can we use one single interest rate and a single monthly repayment estimate?

Schools are not required to calculate a median or weighted interest rate for each borrower based on their specific loan history. Rather, it is recommended that schools decide on a reasonable interest rate for each category of borrowers (e.g. students, parents, guardians) and use a consistent approach to calculate an estimated monthly repayment amount based on the standard 10-year repayment plan for each group of borrowers.

For example, when Indiana University implemented a similar program, they decided to use a 6.8% interest rate and the 10-year standard repayment option to calculate the monthly repayment amount for all student borrowers.

In addition to providing loan repayment estimates, the notification should also provide clear information about assumptions made to calculate repayment amounts and explain how borrowers can access information that is more specific to their individual situation.

If you prefer and if your systems have the capability, you could calculate a median or weighted interest rate for each student scenario to provide a more customized monthly repayment amount, but you are not required to do so.

Using an interest rate and repayment plan that has sound reasoning behind it and shows a good faith effort to support the intent of the program is sufficient.

What source(s) should schools use to get private student loan information?

Regarding private student loan information, schools only need to provide information about loans your school has certified and/or has provided and is aware of based on information in your financial aid management system.

Examples of private education loans include, but are not limited to, loans made expressly for educational expenses by financial institutions, credit unions, institutions of higher education or their affiliates, and states and localities.

For institutional debt, include any loan, extension of credit, payment plan, or other financing mechanism that would otherwise not be considered a private education loan but that results in a debt obligation that a student must pay to the institution after completing the program.

The Truth-in-Lending regulations at 12 CFR 226.46(b)(5) provide the definition of a private education loan.

Is it possible to find out if private loans were borrowed at other institutions so that those can be included on the notifications or can they be left off if unknown?

Schools only need to provide information about education loans of which they are aware based on data that is readily available to them through their financial aid management system. Schools do not need to check with previous schools that students may have attended to find out if they or their parents or guardians had private or institutional loans there.

What if the institution does not know the interest rate of a private loan that a borrower has? What interest rate should the institution assign to this loan?

Schools may choose to use an estimated rate based on the average or typical private loan rate being charged at the time that the loan was originated or when the loan notification is generated.

If borrowers have a combination of Title IV and private loans and you plan to provide one monthly repayment amount for all totals, you may want to consider choosing a slightly higher interest rate than what you may use for just Title IV loans to take the private loan rates into consideration.

What is the Illinois Student Assistance Commission's (ISAC) role in this program?

Senate Bill 2559, now Public Act 100-0926, gave ISAC the rule-making authority to implement the education loan information pilot program, and the requirements have been incorporated into the Institutional Eligibility section of the General Provisions part of ISAC's 2019-20 Administrative Rules, which went into effect on July 1, 2019.

In support of the program, ISAC is providing guidance through this FAQ document as well as sample templates for schools to use in developing their institution's education loan communication. Additional messaging, reminders and guidance will be provided through ISAC's website at isac.org as needed.

Are colleges required to use the ISAC templates?

No. Colleges may develop their own notification format if they prefer, and they may also customize the sample templates ISAC has made available to better align with their own systems, processes, and borrower populations.

Will colleges be required to report anything to ISAC? And, if so, what are the reporting requirements?

There are currently no specific reporting requirements for schools in regard to ISAC's oversight of this pilot program. Rather, ISAC will check to confirm that schools are providing the annual notification during compliance reviews and may also conduct surveys of schools to learn more about how they are implementing the program and the impact it may be having on education loan borrowing.

Is it feasible to meet these requirements of the pilot program without using a third party?

Schools are not required to secure the services of a third party to provide the annual notification to students and/or parent or guardian, nor are they prohibited from doing so.

Are there specific resources that ISAC recommends including in the education loan information notifications?

In general, ISAC refers borrowers to the U.S. Department of Education (ED), the National Student Loan Data System (NSLDS) and loan servicers for additional guidance and assistance regarding loan debt and repayment options, and, therefore, recommends those as the key resources to which you may want to direct borrowers. Additionally, if your institution has its own loan counseling/financial literacy resources or programs, you may want to direct borrowers to those as well.

A few helpful ED resources include:

- Financial Awareness Counseling Tool (FACT)
 - <https://studentloans.gov/myDirectLoan/counselingInstructions.action?counselingType=fa>
- Studentaid.gov (information on interest rates and repayment plans)
- Studentloans.gov (loan repayment calculator).

Are other states implementing programs such as this?

Yes. In the spirit of providing more consumer information to student and parent borrowers, there is a growing emphasis on providing clear information to borrowers about the impact of student loan debt. While several other states have passed similar legislation, Illinois is the first state to include a requirement to provide education loan information to parents and guardians.

Why did Illinois include parents/guardians?

The sponsors of the legislation felt it was just as important to provide indebtedness information to parents or guardians as it is to students. Since parents or guardians can potentially have more than one college student for whom they are taking out education loans and there are not the same loan limitations as there are for student borrowers, the payoff totals for parents and guardians can quickly become quite substantial. Parent/guardian borrowers may often be faced with higher interest rates than federal student loan borrowers, making repayment more difficult and challenging over time.

What are some tips and best practices gleaned from other states that have implemented this recently?

- Keep a good balance of having enough impactful information, but not overwhelming data.
- Realize that it won't be perfect and exact, but that it should provide enough information to generate interest and spark meaningful conversations. Provide the best information you can and keep in mind that if even it's not exact, it is better than no communication at all and, for some students, it will make a real difference.
- You won't be able to report on Grad PLUS, Title VII and VIII, or private loans from other institutions.
- Be sure to include caveats that clearly explain why the numbers are an estimate.
- Utilize methods and data to ensure that each student has a clear sense of total borrowing obligations, including monthly payments, and repayment options.

- Find effective ways to engage students in financial literacy education, and keep in mind the importance of frequency and timing of communication with students.
- Consider having various approaches to targeting different student populations, including part-time students, first-time students, transfer students, and nontraditional students
- Clearly communicate the importance of degree/program completion on a student's ability to repay student loan debt.
- If you will be drafting your own education loan information notification, here are some things to keep in mind:
 - Use language and formatting that will capture students' attention.
 - Compose short sentences; use bullet points where possible.
 - Use active voice to reduce wordiness.
 - Be direct—use second person pronouns (e.g. "you should").
 - Place contact information at the top of the page.
 - Make complicated financial topics easier to understand.
 - Avoid jargon and acronyms; assume unfamiliarity.
 - Embed video/images to explain difficult concepts.
 - Use terms consistent with other processes at your school (e.g. FAFSA terms).
 - Provide information and resources that can help students better understand their finances.
 - Include information on ways to achieve a timely graduation.
 - Include similar information on your website to complement what's in the student notification.
- The first time you send out the notifications, consider sending in batches (to do sort of a trial run) so you are prepared for a potential increase in questions/interactions that may result after the notifications go out. Consider sending them out by class level, type of loans, alphabetically, etc. ... or even 10% every two weeks, depending on the size of your school.