



April 2, 2012

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, Virginia 22314

By Email (CommentLetters@msrb.org)

Re: Response of College Savings Foundation to MSRB Notice 2012-10 (March 1, 2012) –
*Request for Comment on a Concept Proposal for Electronic Dissemination of 529 College
Savings Plan Disclosure Documents*

Dear Mr. Smith:

The College Savings Foundation (“CSF”) is a not-for-profit organization with the mission of helping American families achieve their education savings goals by working with public policy makers, media representatives, and financial services industry executives in support of 529 college savings plans (529 plans). CSF serves as a central repository of information about college savings programs and trends and as an expert resource for its members as well as representatives of state and federal government, institutions of higher education and other related organizations and associations. CSF’s members include state 529 plans, investment managers, broker-dealers, other governmental organizations, law firms, accounting and consulting firms, and non-profit agencies that participate in the sponsorship or administration of 529 college savings plans.

CSF is committed to providing the information most useful to those saving for higher education, to assist them in knowledgeably selecting a 529 plan, and fully supports a transparent 529 marketplace. CSF and its members are equally dedicated to working with the Municipal Securities Rulemaking Board (“MSRB”) in its continued efforts to gain a better understanding of the industry, its participants, and its customers. MSRB Notice 2012-10 (the “Notice”) provides another excellent opportunity for the MSRB, CSF, and other 529 industry participants to continue the dialogue on how best to serve, educate, and inform our customers, both current and prospective, about 529 plans.

Our response to Notice 2012-10 reflects three fundamental beliefs about our customers, 529 plans, and effective disclosure. First, CSF believes that our customers reflect a complete cross-section of our nation’s population. With participants from all 50 states and all socio-

economic backgrounds, creating a standard profile of the average 529 participant may not be possible. Having said this, however, our experience indicates that 529 participants constitute a subset of the general public in their ability to retrieve and review information online. As a result, 529 participants should be afforded the opportunity to access program disclosure materials online in a manner similar to the broader mutual fund consumer.

CSF also believes that material information about a 529 account is communicated equally as well through either print or electronic materials. We see no indication that a person is better apprised of, for instance, the annual single investment change limit by reading the hard copy of a disclosure document rather than viewing it online.

In addition, we see effective disclosure as that which clearly conveys material information to customers in a manner that is easily accessible. Online availability of 529 plan disclosure permits 529 participants to readily review and consider important information about 529 plans. It also provides a fast, convenient way to obtain program materials from multiple 529 plans which in turn enables a prospective customer to compare and contrast each 529 plan's features and benefits.

Convenient access also furthers the goals of Rules G-32(a) and G-17 which CSF views as important guides in establishing clear objectives on customer disclosure and education. When combined with the College Savings Plans Network's Disclosure Principles, Statement No. 5 (adopted in 2011), G-32(a) and G-17 are important elements in establishing effective, uniform disclosure among industry participants. This uniformity in turn permits customers to more efficiently and effectively review disclosure and compare and contrast different 529 plans.

While disclosure documents are important tools in fostering 529 participant understanding, CSF members also provide other educational resources. Customer service departments offer information on 529 plans not only by phone but also by online conversations and emails. In addition, at least two plans have or will this year offer webinars to professionals including financial advisors, attorneys and accountants. On the more traditional, face to face side, CSF members also frequently sponsor or participate in community and sporting events like state fairs, community races and walks, high school and college basketball tournaments, professional sports and even NASCAR races in an effort to get the word out about saving for college and to answer questions about 529s. CSF also engaged in an innovative outreach program at its national meeting this year in Charleston, South Carolina. We invited members of the community to an informational session on funding higher education through financial aid and by using 529 accounts. CSF coordinated with the mayor's office, high schools, and local media outlets to publicize this free event which will become a part of future national conferences.

Before getting to the specific questions and as a final point of dialogue on the Notice's general list of discussion points, we believe that Notice 2012-10's inquiry into summary

disclosure requires careful evaluation by each State sponsor and as such, CSF leaves the response to that issue to each plan.

Immediately below are CSF's responses to the Notices' specific questions.

1. *What 529 plan disclosure documents are delivered by dealers to customers?*

Members report that they deliver a 529 plan disclosure document and any supplements to customers. Some plans supplement the main disclosure document with specialized booklets describing in detail how to withdraw and use monies in 529 accounts. In addition, in the case of prepaid tuition accounts, pricing information is also included. Further, some plans include these plan disclosure materials in "Welcome Kits" or "Program Guides" which may themselves give summary information about 529s and the plan in which the customer has expressed interest. Annual reports are also sent to customers by some 529 plans.

2. *How are such disclosure documents delivered by dealers to customers (e.g., hard copy, electronic delivery of PDFs)?*

Most disclosure documents are delivered in hard copy; however, many members report that their disclosure documents are available to the public in various formats on their website.

3. *When are such disclosure documents delivered by dealers to customers (e.g., at account opening, at or prior to the time of trade, or at settlement)?*

Members report that disclosure documents are delivered at or prior to the time of sale.

4. *Should investors in 529 plans receive plan disclosure documents in hard copy prior to making an investment decision?*

Although investors should have access to all material information related to a 529 plan in order to make an informed investment decision, it is not necessary for the information to be delivered to investors in hard copy. Investors should have the ability to choose whether to receive disclosure documents in hard copy or electronically (e.g., electronic delivery or online access to a PDF file of the disclosure document).

5. *Do investors in 529 plans have the requisite sophistication to access plan disclosure documents electronically?*

We are not aware of any data that details the internet sophistication of 529 investors. Since 529 investors are a reflection of the general population, their online sophistication spans across a broad spectrum. These investors range from those who are very internet savvy and access materials online with ease and comfort to those who require navigation assistance or prefer not to

use the internet for any purpose. Regardless of their online sophistication, the choice to use the internet to access materials, including 529 plan disclosure documents, should reside with the investor. CSF believes that 529 plans, even with electronic dissemination of disclosure, would continue to make hard copies available upon request.

6. Do investors in 529 plans have the requisite sophistication to review plan disclosure documents online by reference to a URL?

We are not aware of any data that suggests that the ability of 529 customers to review, download, and, if necessary, print online plan disclosure documents is any different than that of the general investing public. Some customers are very adept at fully utilizing online resources while others have a more average online skill set that nevertheless still permits them to competently navigate the web. At the other end of the spectrum, some customers have informed 529 plans that they do not use the web to access information about 529 plans and/or their accounts. However it is unclear whether this nonuse is due to a lack of online experience, from not having convenient web access, or from another factor or combination of factors.

7. Have customers expressed a preference for receiving plan disclosure documents in hard copy or online?

Given the lack of comprehensive industry-wide numbers on delivery preferences, a definitive statement on how 529 customers prefer to receive their plan disclosure documents is difficult to make. Still, CSF surveyed its members and can report anecdotally on trends. Some plans responded to this question with an unqualified “yes”. Another reports that customer requests for electronic delivery of 529 materials is similar to that for general investment products. One plan reported that, based on the very small percentage of clients who have chosen to receive electronic delivery, they perceived a preference for hard copy delivery. A possible indication of customer preferences may be found in the growing number of account owners who elect to receive their statements online or make online contributions to their accounts. One plan stated that 36% of online account owners have elected to receive documents electronically. Among the online account owners whose adjusted gross income is less than or equal to \$50,000, 59.9% have requested statements and other correspondence be forwarded to them electronically. Of those account owners in this particular plan who are 60 and older, 41.3% have requested electronic delivery of statements and correspondence. Still another plan reported that paperless delivery of statements was becoming “extremely popular”.

8. Is there a benefit to customers in receiving the hard copy of the Plan Disclosure Document by settlement of the transaction?

While some benefit may be derived from delivering written disclosure materials after a customer has opened a 529 account, the better practice points to providing these materials earlier and making them easily accessible to a person considering opening a 529 account. One of the

primary goals of plan disclosure documents is to provide the material information necessary to make an informed decision. Online access of these documents permits customers to review and consider important information about 529 account ownership prior to beginning the application process. It also allows customers easy access to the program materials of multiple 529 plans which in turn enables a prospective customer to compare and contrast each plan's features.

9. *Have customers described any benefits or drawbacks to receiving documents in hard copy?*

Not surprisingly, most plans we heard from state that customers' perceived benefits or drawbacks on how they receive disclosure documents appears to be based upon personal preferences and convenient access to the internet. One member reported that customers without home computers preferred hard copies of disclosure materials.

10. *Have customers described any benefits or drawbacks to receiving documents electronically?*

As stated in response to Question 9, most plans we heard from state that customers' perceived benefits or drawbacks on how they receive disclosure documents appears to be based upon personal preferences and convenient access to the internet. Some members report that electronic delivery is preferred by most account owners who have access to home computers. Others cite the environmental benefits attached with not producing as many paper documents, the ease in which electronic documents may be stored, and receiving less postal mail.

11. *Although account owners who open their accounts online are likely to anticipate receiving electronic delivery of documents through that online process, would it be appropriate for account owners that open their accounts through an office visit or by phone to then be expected to receive electronic delivery of documents?*

Regardless of the method by which an account is opened -- be it online, in person or by phone -- CSF believes it is appropriate to deliver disclosure documents electronically.

12. *Have clients who have established online accounts, whether through direct-sold or advisor-sold programs, expressed concern about delivery of plan disclosure documents electronically?*

In the feedback received from our members for this response, there was no report of any customer concerns regarding electronic delivery of plan disclosure documents.

13. *Could any cost savings achieved through lower mailing or printing costs as a result of implementation of an electronic access program be passed on to customers?*

Any such reductions would be decided between the individual States and, if applicable, their partners, and would need to consider factors such as contractual obligations and economic considerations. Ultimately, those are proper decisions for each 529 plan depending on many variables.

14. *Have customers expressed confusion about the difference between complete Plan Disclosure Documents and plan disclosure supplements or amendments?*

In the feedback received from our members for this response, there was no report of complaints from investors regarding confusion between disclosure documents and any subsequent supplements.

15. *Is there a difference in sophistication between individuals who invest in 529 Plans and individuals who purchase traditional municipal securities such that an electronic access program would be inappropriate for 529 Plan customers?*

CSF believes there is no difference in the level of sophistication -- as it relates to access to the internet or the proficiency to locate, read and print a disclosure document from the web -- between the typical 529 plan investor and the purchaser of any other municipal security.

We sincerely appreciate the opportunity to provide these comments to you. Given the importance of this issue and our desire to maximize the availability and accessibility of pertinent information, we would appreciate an opportunity to meet with the MSRB to discuss ways to best meet our mutual goals.

Sincerely,



Roger Michaud
Chairman
College Savings Foundation
2111 Wilson Blvd.
Suite 700
Arlington, VA 22201
703-351-5091