

**Lender/School Advisory (L/SA) Committee Meeting**  
**February 3, 2011**  
**Mockingbird and Rio Grande**

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**Committee Members present (14):**

Alan Ahmad  
Patricia Beard  
Lisa Blazer  
Wally Boudet  
Katherine Carson  
Casey Creel  
Jose Guerrero

Tom Melecki  
Rick Moreno  
Christopher Murr  
Brian Sunshine – Lender chair  
Mary Teel  
Anne Walker – School chair  
Debbie Urias

**Committee Members absent (15):**

Paul Blake  
Lindy Hall  
Caitie Blount  
Mackie Bonner  
Joe Burnett  
Shanna Hollis  
Karen LaQuey  
Brook Pallanez

Marc Peterson  
Joe Pettibon  
Jim Reed  
Elaine Rivera  
Juan Antonio Ruiz  
Rhonda Summerbell  
John Wood

**Meeting Start Time: 9:30 a.m.**

**Opening Remarks**

*Sue McMillin*

Sue welcomed the committee and thanked them for their attendance during a very busy time.

**Housekeeping**

*Co-chairs*

- Special recognition was given to Don Zachary, his contributions to the financial aid community, and especially to the Lender School Advisory Committee.
- Discussion notes from November 4, 2010 meeting were approved.
- Committee updates – Cynthia Butler resigned due to reorganization at Northwood that eliminated the Texas financial aid role; Karen LaQuey (alternate Fy11 member) is now on the School Advisory committee.

**Overview of state & federal legislature landscape**

*Sue McMillin / George Torres*

At federal level, there are only two returning members on the committee so most members need to be informed on education issues; Rep Hinojosa is still focused on the budget shortfall which is a high priority across the board. The legislature has been busy and has not addressed the education bill yet. Most of the bill is focused on gainful employment. Big ticket item is subsidized Stafford loans which reportedly represents a \$46 billion saving. However, some of the ramifications of direct loan program servicing, such as higher cohort default rates, are starting to become apparent.

The Department is looking at all thirty-two guarantee agencies and who they think is best positioned to take on additional portfolios, looking at their financial reserves, staffing levels, skill sets, and FISMA compliancy. We anticipate they will name a handful of standby guarantors, in case other guarantors do not survive. Regarding non-profit servicers, thirty are eligible with eight applying. If non-profit servicers are turned down, they are able to re-apply on a quarterly basis. Under this plan, the non-profit servicers are given 100,000 loans which could be from the national or state level. From the school perspective, look for additional servicers to be added to the mix. Regarding FISMA compliancy - TG made the decision before the direct loan transition to become FISMA compliant. TG will be FISMA ready by July, 2011 and has contracted with Deloitte & Touché to assist. Deloitte has strong connections with the Department of Education and has learned that the Department is thinking about making schools become FISMA compliant. It is a very complex program involving a costly implementation. TG will share any information we receive about impacts on schools.

George Torres distributed a copy of SB40 and explained that the purpose of the bill is to update TG's state enabling statute to reflect new federal student loan program environment. It expands TG's purpose to administer federal student loan programs (rather than just the FFELP), updates the provision that allows TG to engage in other revenue generating activities, strengthens TG's ability to provide student/borrower/school programs and service, and removes "FFELP" specific language. The Senate Finance Committee is holding hearings all week. The state appropriation bills propose record 60% reductions in appropriations for the state student financial aid programs. George encouraged everyone in student financial aid to get involved and watch the bills closely. The processes are just starting, but feel free to contact George with any questions that you may have.

Tom Melecki asked if there was speculation about reinstating the FFEL program. Sue reported that Congresswoman Virginia Fox is not a fan of direct loans and is very vocal about it, but Sue doesn't think return to FFELP is a likely scenario. It is possible that we may see some type of hybrid program taking the best of both worlds. However, it is doubtful that this possibility would occur this year. As issues arise along with the federal debt, the government may consider selling off some of the assets (like student loans to reduce the debt). Default rate issues surfacing could also contribute to the creation of a hybrid program

At the federal level, the House of Representatives will be considering legislation to rollback current year funding for domestic programs (like the Pell Grant) to FY2008 levels, and FY2012 to FY2006 levels. It is doubtful that the final bill that is, hopefully, passed by the full Congress will include this level of reductions, but, because the initial proposed reductions are so drastic, the compromise will still be very serious.

## Discussion Topics

### **TG annual training conference**

*Vickie Tanner*

Vickie provided an overview of the TG conference scheduled for April 26-29, 2011 at the AT&T Conference Center in Austin. An invitation was included the LSA meeting packets. Vickie provided details of the new format and the many registration options. The new format was designed in consideration of reduced travel and training budgets. The agenda has also been expanded to attract a wider audience. Vickie gave an overview of the Student Services Leadership Symposium and encouraged the members to look at the TG conference website for conference details. Vickie asked for agenda topic suggestions and thanked the members that responded to her earlier survey. Lisa Blazer suggested for the college access track, a session to discuss assessments and how FAO's influence student learning. This

topic somewhat ties into the two collaboration workshops on the agenda. Brian suggested including a student panel discussion, but there was a lack of input about the focus for such a panel discussion.

## **Default prevention**

*Rinn Harper / Rick Johnson*

Rinn Harper led a Q&A discussion on default prevention efforts.

What do schools and lenders think is important for TG to focus on in their continuing role related to default prevention?

Rick Moreno – Schools need help on how to challenge CDR rates.

Rinn said TG is looking at that process and has created webinars to address this need. TG strongly believes that schools need to analyze the data when the info comes out as questions have been raised regarding how PUT loans have been included in the draft calculations.

Debra Urias – Help the schools to understand PUT process.

Rinn mentioned the situation regarding loans that have previously been PUT to ED and now, due to various reasons, need to be UnPUT. As the guarantee was transferred to ED at the time of the PUT, the loan will have to be reactivated on the guarantors system at the time of the UnPUT. We don't know at this time the volume of loans to be UnPUT, but anticipate that the volume should be minimal. Operational issues, such as default aversion assistance request processing, are being addressed by an industry workgroup at this time.

Question from committee - How does school know the loan is a PUT loan and back in process (UnPUT)?

Rinn stated that a process has been developed to UnPUT the loan (Repurchase Referral Loan Detail Report) but TG has not yet been notified of any UnPUT loans.

Anne Walker - How is IDA affected by this process?

Rick Johnson commented that loans are no longer in the IDA database (i.e. no longer TG loans and thus not included in IDA reports) but became Department owned loans when they were PUT. An important thing to understand is that this will be a small number relative to the entire population of loans; it is the exception not the rule. Schools just need to be prepared to deal with borrower confusion resulting from this. Administrative forbearance is not acceptable on these loans as the loans will be treated as a transfer. Capitalization of interest will only occur if it meets certain criteria (coming out of deferment or forbearance). TG's focus is on the borrower and helping them to understand. If we talk to a borrower, 90% of the time, we can keep that borrower from going into default.

Tom Melecki – Is TG focusing on particular types of borrowers?

Rinn stated yes, we recognize that there are different types of borrowers with unique situations and they need to be communicated with differently. TG developed a quarterly newsletter, A head of the Game that is distributed to certain segments of the population that meet the criteria in an effort to educate them on the process and to provide information regarding grace periods and repayment options. Grace counseling has a significant effect on repayment. Tom asked if TG could disseminate their data about how grace counseling is successful and TG responded that we would look into this.

Wally Boudet inquired if there has been any collaboration with servicers about the type of information that is being disseminated. Too many contacts could confuse the borrowers.

Rinn stated that we've had some conversations about the fact that there has not been any coordination across the industry to disseminate the info. But the feeling is that we are probably not giving too much information.

Rick Moreno stated that his campus has mandatory money management for students if they accept loans. He realized he needs to have advisors be aware as part of early intervention and to link academics with the information.

Brian Sunshine– how does legacy portfolio affect the default program?

Rinn – TG shifted our focus to early intervention over the past years. We're trying to hit the borrowers before it gets too late. Even with the loss of loan originations last July, we still have a significant FFELP portfolio that needs our attention.

Jose Guerrero – how many schools are taking advantage of IDA?

Rick Johnson stated growth has been steady from September through December, 2010. There are over 100 schools using IDA.

Debra Urias asked if TG is receiving data from the TIVAS?

Rick Johnson responded that NSLDS has set criteria for a data exchange format which has helped. Regarding changes to those file layouts; we received notice from ED in early January and were given 18 days to incorporate the new format. TG IDA will be ready to process with the required changes in February.

### **AdvanTG Web™ End of Life Transition**

*Paul Lewis*

June 30 will be the last processing date for AdvanTG Web. The last date of disbursement is under consideration. The group suggested the last date to fund disbursements should be as early as May 2011. Schools need to find an alternative processing method for private loans. Texas Higher Education Coordinating Board (THECB) will process state loans. The recent ELM newsletter can be accessed by clicking on the following link: [ELM Express Winter 2011](#).

The school committee members expressed they were experiencing some challenges in getting responses from ELM. Lender/ELM members stated to let them know because many of them are on the board and can facilitate the communication.

Wally suggested schools look at the neutral option of Scholarnet, a Great Lakes product. Casey reiterated that lender members could assist with communication with ELM. Sue reinforced that ELM is a mutual benefit organization that included guarantors and lenders.

**POST MEETING QUESTION** from Shanna Hollis regarding access to the TG data after AdvanTG Web is no longer available. Paul responded that at this point, we are planning to continue access to TG data via Real-Time Access (RTA) through Fall of 2011. This will allow time for customers to obtain information online via RTA. You will also have the option for TG to resend Commonline files as proof of processing. After Fall 2011, schools and lenders will be required to request loan data and/or screenshots from TG's Customer Support and Reporting department. We will begin communicating our definitive plans through Shoptalk and TG Message Central at the end of February, 2011.

### **School Breakout Session Topics**

#### ***Branding item***

*Jennifer Bruce*

Jennifer walked the school members through a process to review and prioritize proposed TG product names.

#### ***Policy hot topics***

*Carol Lindsey*

Schools expressed concern about potential federal budget-related cuts to Administrative Cost Allowance (ACA), Pell grant awards, and in-school interest loan subsidies. ACA cuts could impact various services, including some positions which are funded with ACA funds. Some schools use ACA to fund innovations, efficiencies, and professional development. Schools also use ACA to fund Perkins loan collection activities.

Loan subsidy cuts could impact student decisions about whether to borrow. Loan subsidy cuts could also impact whether students make the decision to attend college. As programs continue to become more complicated, schools have concerns about keeping Financial Aid Management Systems up to date. Satisfactory Academic Progress rule changes will cause administrative burden concerns. There are concerns about how schools will be able to work with students to develop “academic plans” in the appeals process. Blackboard is an option UTSA uses to help to automate and streamline the plan approval process. Students are asked to complete tasks and submit academic plans using Blackboard, just as they do to complete class assignments.

It was suggested that TG share Program Integrity final rules information via e-DM and TASFAA Listserv. TG’s one-page topic summaries will be designed to be succinct and easy to understand. They will facilitate the information being shared easily with other campus personnel, and will be accessible via the web on TG’s Program Integrity final rules web page (with other information resources already posted there). Carol stated the first edition of Shoptalk in January 2011 included a lengthy article about all of the resources available on TG’s web page. TG will also use direct emails to get the word out on the new rules, and Lisa suggested use of the TASFAA listserv as well.

The Association of Private Sector Colleges and Universities (formerly the Career College Association) recently filed a lawsuit on the final rules for misrepresentation, state authorization, and incentive compensation.

The draft 2-year cohort default rates (CDRs) are scheduled for release on Feb. 14. “Trial” 3-year CDRs, like those recently released for FY08, are now being calculated using the same process as the “true” CDRs so they should provide a fairly accurate picture of future 3-year rates.

### ***LSA Charter Status***

***Vickie Tanner***

Issue tabled because of pending enabling act legislation changes

### **Lender Breakout Session Topics**

#### ***Policy hot topics discussion***

***James Wingard***

There are concerns that with the expected increase of CDR’s overall, coupled with the release of the first year of 3-year CDRs next February, the Department is not equipped to handle the increased number of challenges and appeals it will receive from schools. With all the cutbacks, schools don’t have resources to properly devote to default management or researching their CDR and filing challenges or appeals.

Forbearance usage vs. gainful employment concerns are that servicers will revert to using forbearances to bring borrowers current (based on recent ED guidance to DL services) and this may have negative impact with regard to new gainful employment regulations. Under the proposed rules, if a borrower does not reduce his loan balance, it could result in loss of eligibility for certain non-degree programs offered by schools.

Lenders expressed concern that schools have the ability/resources to outsource the preparation of CDR challenges and Brian wondered if this is a service that TG would be able to provide for schools. Rinn explained that this service is currently provided for in the TG Default Aversion Services contract.

A discussion on non-profit servicing agents focused on the fact that although 7-8 non-profit servicers have passed initial eligibility to become an ED servicer, the Department’s contract is

only sufficient enough to compensate these servicers for minimal default prevention efforts and outreach to borrowers.

***Collaboration***

***Brian Sunshine***

Lenders held discussion regarding collaboration efforts with local community banks, identifying unknowns related to the future of lenders' roles and the servicing of current FFELP portfolios.

***LSA Charter Status***

***Brian Sunshine***

Issue tabled because of pending enabling act legislation changes.

**Open Forum & closing comments**

***Co-chairs***

No topics were mentioned.

Meeting End Time: 2:40 PM

Scribe Name: Judith Cunningham

The next ***LSA Meeting is Wednesday, May 11, 2011.***