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FY 2000 Education and Student Financial Aid Bill Signed

The 106th Congress has approved and President Clinton has signed the FY 2000 omnibus appropriations bill (HR 3194). The bill includes appropriations for the Interior Department, the Labor-HHS-Education Departments, Foreign Operations, and the Commerce-Justice-State Departments. It includes generous provisions for the Education Department and increases for student financial aid.

Spending Offsets

The legislation also mandates spending offsets, including a .38 percent cut in FY 2000 spending. Each agency retains the discretion of how to achieve the reduction, but may not reduce spending for any single program by more than 15 percent. The legislation also "advance appropriates" up to \$30 billion in FY 2000 spending into FY 2001. It will be incumbent upon the student financial aid community to closely monitor next year's congressional budget debate and to make their voices heard concerning FY 2001 funding for student financial aid programs.

Financial Aid Funding Amounts

The bill includes the following amounts for student financial aid funding (funding may be affected by spending offsets):

- Maximum Pell Grants are increased by \$175 over FY 1999, bringing the maximum award for FY 2000 to \$3,300;

- Supplemental Education Opportunity Grants are increased by \$12 million over 1999;
- Leveraging Education Assistance Partnership grants are increased by \$15 million over 1999;
- Perkins loans are funded at \$130 million, bringing the total funding available to \$6 billion;
- TRIO Programs funding for minority and disadvantaged students is increased by \$45 million over FY 1999, bringing FY 2000 funding to \$645 million;
- Work-Study is increased \$64 million over FY 1999, bringing FY 2000 funding to \$934 million;
- GEAR-UP is funded at \$200 million, \$80 million over FY 1999; and
- Learning Anytime Anywhere Partnerships is funded at \$18 million, \$8 million over FY 1999.

New Tool for Default Collections

The new legislation provides for information from Health and Human Service's, National Directory of New Hires, to be used in locating borrowers who are in default on federal student loans and/or individuals who owe a refund on a federal grant. Originally developed to assist states in enforcing child support orders, the directory will now enhance collection efforts by the Department of Education and guaranty agencies.

See FY 2000 on page 6.



NEWLY REPORTED CLOSURES

TG SCHOOL ID#	SCHOOL NAME	SCHOOL ADDRESS	UNOFFICIAL CLOSURE DATE	ED'S OFFICIAL CLOSURE DATE
021815000	St. John's School of Business	511 Main St. West Springfield, MA 01090-1190	N/A	09/08/1997
005546000	Worcester Technical Institute	251 Belmont St. Worcester, MA 01605-2895	N/A	06/30/1999

Shoptalk Hits the Century Mark

By Milt Wright, President and Chief Executive Officer of Texas Guaranteed Student Loan Corporation (TG)

As the world waits for a new millennium, TG is excited to recognize the 100th issue of *Shoptalk*. The August 1990 inaugural edition, and every edition since, helped to meet the information needs of the higher education and lending institutions that work together to make the Texas Federal Family Education Loan Program (FFELP) such a success.

“...information is one of the most important resources you have when trying to stay current (or better yet, ahead) of changes.”

An interesting quote from the inaugural issue said, “...information is one of the most important resources you have when trying to stay current (or better yet, ahead) of changes.” Sounds like something someone might say today. Change continues to be one of the biggest challenges facing the student loan community, and accurate information helps make those challenges easier to face.

At TG, our goal is to help you keep up. We know that you depend on *Shoptalk* to offer you the latest and most accurate information available. During the last few years, 80 to 90 percent of the schools and lenders responding to our surveys indicated that they use the publication to help meet their information needs. An equally high

number reported that they are satisfied or very satisfied with the information it provides.

Such consistent value comes from more than disseminating information. *Shoptalk* is a perfect example of how we respond to what we hear from you. As with every communication vehicle we use, *Shoptalk* begins when we listen to what you have to say. We enhance our efforts to meet your information needs through various means, such as the Lender and School Advisory Committees, the TG Users Group, suggestions through our web sites, and our unwavering commitment to provide you with the best customer support and service you will find anywhere. We know that meeting your information needs means listening first.

The message is clear. *Shoptalk* is rooted in something much more powerful than information distribution. *Shoptalk's* success is really a reflection of the success of the community that we are so pleased to support — a success built upon cooperation and an eagerness to share ideas, to work through issues, and to communicate with each other.

As we look toward the new millennium, we know that the valuable work started by the Texas FFELP community in the 20th century will improve the lives of many families and students in the 21st century. We cannot know what changes and challenges we will face, but TG is committed to meeting them with you.

We recently added *TG NetWorks* — our electronic newsletter — to our information delivery systems to bring you the information you need as soon as possible.

We look forward to working with you, to listening to what you have to say, and to meeting your information needs through whatever method is most efficient, including *Shoptalk*, well into the next millennium. Thank you for your support through 100 issues. We couldn't have done it without you. ★

Correction to Ombudsman Article

An article in *Shoptalk* 99 entitled “TG Ombudsman Investigates Unresolved Issues” incorrectly listed the effective date of a new requirement to inform borrowers about the availability of an ombudsman for complaint resolution purposes. The requirement goes into effect on July 1, 2000, rather than July 1, 1999, as stated in the article. TG apologizes for the error. ★

Taking Advantage of TG's Default Prevention Support

Texas Guaranteed Student Loan Corporation (TG) is committed to helping schools, lenders, and servicers in the financial aid industry support borrowers in averting default. By providing exceptional service and counseling, TG Default Prevention (DPRV) helps borrowers recover from loan delinquency and manage their Federal Family Education Loan Program (FFELP) debts.

The earlier a lender or servicer submits the RFA, the more time TG has to contact the borrower and encourage him or her to take advantage of the wide range of options available to avert default.

Lenders or servicers may submit a request for assistance (RFA) to TG as soon as a borrower reaches the 60th day of delinquency. The earlier a lender or servicer submits the RFA, the more time TG has to contact the borrower and encourage him or her to take advantage of the wide range of options available to avert default.

When a lender or servicer submits an RFA to TG, DPRV begins a campaign to encourage the borrower to resolve his or her delinquency. Resolution of the delinquency often involves counseling the borrower in the use of deferments, forbearance, flexible repayment options, loan consolidation, or loan combination.

RFA Procedure

When a lender or servicer submits an RFA, DPRV sends a series of up to six delinquency letters through the 230th day of delinquency advising the borrower of available repayment options and actions that may be taken against the borrower

should he or she default. DPRV also calls the borrower two-to-three times between the initial RFA filing and the 159th day of the borrower's delinquency. Additional telephone calls are scheduled periodically until the 195th day of delinquency. As with due diligence activities for lenders and servicers, there is no gap longer than 45 days in TG's due diligence activities.

The Default Aversion Team

Several units within DPRV help to make default prevention as effective as possible. The Borrower Locate Unit, for example, is responsible for locating borrowers with inaccurate address information. The 13 representatives in this unit research information and databases to locate borrowers. Borrower Locate uses credit bureau reports, an auto-dialer, municipal utility files from the major Texas cities, National Change of Address, web-based directories, and information (such as that from exit interviews) provided by schools to find borrowers. The Unit also accesses information from various government agencies such as the Texas Comptroller and the Texas Employment Commission that is not available to many commercial institutions. Borrower Locate successfully located 92 percent of all preclaims skip accounts during FY 1999.

DPRV's Support Service Unit enters data from any hardcopy RFA received from lenders or servicers and corrects any discrepancies that may exist in electronically submitted RFAs. The Support Service Representatives make every effort to resolve RFA discrepancies in order to avoid returning the RFA to the lender or servicer. Only those RFAs that require lender or servicer action are returned.

DPRV's Correspondence Unit answers all correspondence, including e-mail

requests, and provides deferment and forbearance forms when requested by the borrower. All e-mail correspondence is answered within 24 hours and all general correspondence is answered within five business days. The Correspondence Unit acts as a liaison between schools, lenders, servicers, and borrowers regarding disabilities, death, bankruptcy, and loan forgiveness when necessary and prepares formal responses to the borrower.

Providing Reports for Schools and Lenders

In addition to DPRV's telephone and correspondence campaign, TG provides several reports designed to assist schools and lenders in their own default aversion efforts. Through a subscription service, DPRV provides schools with a weekly Notice of Default Prevention Activity report. The comprehensive report notifies schools of borrower delinquencies at day 60 and again at day 159. This report also identifies borrowers who cannot be located, borrowers who have been cured by deferment, forbearance, and payment, or borrowers who are in a claim-pending status with TG.

This report is also available in an electronic format called the Electronic School Report (ESR). The ESR can be requested and delivered through the Report Request/Distribution (RRD) system. RRD is a software program created by TG to provide a fast, convenient way for schools, lenders, and servicers to request and receive TG reports and default management information. The ESR also includes letters that can be sent by schools, lenders, and servicers to borrowers. This report is valuable to those schools that have

See DEFAULT PREVENTION SUPPORT on page 7.

COMMON MANUAL UPDATES

INFORMATION ON REVISIONS TO THE COMMON MANUAL

Economic Hardship Deferment Requirements

The *Common Manual* has been revised to specify that lenders must include defaulted loans on which the borrower has made satisfactory repayment arrangements with the holder when determining a borrower's federal education debt burden for purposes of establishing economic hardship deferment eligibility.

Affected Sections: 7.10.P.

Effective Date: Economic hardship deferment requests received by the lender on or after February 1, 2000, unless implemented earlier by the guarantor

Policy Information: Reference #281

Guarantor Comments: None

Cost of Attendance Components Revised

The *Common Manual* has been updated to remove specific minimum allowances to be used for the room and board component of the cost of attendance (COA). Schools are also now authorized to include a reasonable allowance for the documented rental or purchase of a personal computer. Additionally, the COA for students receiving instruction by telecommunications may include the documented cost of renting or purchasing equipment required for them to complete their educational programs. Previously, the COA for telecommunications students was generally limited to tuition and fees.

These changes reflect provisions of the Higher Education Amendments of 1998.

Affected Sections: 5.7.E.

Effective Date: Loans certified by the school for periods of enrollment beginning on or after October 1, 1998

Policy Information: Reference #364

Guarantor Comments: None

Applying Stafford Aggregate Loan Limits

The *Common Manual* has been revised to explain the application of aggregate loan limits to independent undergraduate borrowers, dependent borrowers whose parent is unable to borrow PLUS loans, and graduate and professional student borrowers. These students may continue to borrow up to the subsidized and unsubsidized aggregate loan limits, regardless of the base or additional unsubsidized loan amounts borrowed. Special calculations are required if a student's status changes from independent to dependent or if a dependent student borrower's parent, who initially was unable to borrow a PLUS loan, is later determined eligible. In these cases, the school must calculate the student's remaining aggregate loan eligibility by totaling only those portions of loans that represent the student's base Stafford loan amounts.

These changes reflect guidance given in *Dear Colleague Letter* GEN-97-3.

Affected Sections: 5.7.H.

Effective Date: Loans certified by the school on or after June 1, 1997

Policy Information: Reference #365

Guarantor Comments: None

Mandatory Forbearance Documentation for Borrowers in Americorps

Subsection 7.11.C. of the *Common Manual* has been updated to correct the omission of documentation required for granting mandatory forbearance to borrowers serving in Americorps. Before granting a forbearance to a borrower or endorser under this program, the lender must require the borrower or endorser to submit documentation of the beginning and ending dates of the borrower's Americorps service.

Affected Sections: 7.11.C.

Effective Date: Retroactive to the implementation date of the *Common Manual*

Policy Information: Reference #366

Guarantor Comments: None

False Certification Loan Discharge Forms

Revised *Common Manual* policy includes the new requirement that a borrower must complete, certify, and submit to the lender the applicable loan discharge form approved by the Department to qualify for a false certification discharge. Copies of these forms are included in appendix F of the July 1999 *Common Manual*.

The revisions add the requirements for loan discharge based on a disqualifying status. The borrower must complete, certify, and submit to the lender the Loan Discharge Application: False Certification (Disqualifying Status) form, in which the borrower states that he or she (or the student in the case of a PLUS borrower) was unable to meet the legal requirements for employment in the student's state of residence in the occupation for which the program of study was intended, due to age, physical or mental condition, criminal record, or other reason. The borrower must also provide information about the state legal requirement for employment that the student could not meet, including a reference to — or a copy of — the specific state law or regulation, and provide supporting documentation proving that the borrower had the disqualifying status at the time the loan was originated.

The revisions also provide additional details regarding discharged loans, to clarify existing *Common Manual* policy. If the guarantor determines that a borrower is

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COMMON MANUAL UPDATES (Continued from page 4)

eligible for a loan discharge or a discharge of one or more disbursements on a loan, the discharge cancels the obligation of the borrower to repay the applicable outstanding principal, accrued interest, collection costs, and late fees. It also qualifies the borrower for reimbursement of any amounts paid voluntarily or through forced collection

on the amount discharged. The lender or guarantor must ensure that a discharge is reported to credit bureaus, such that the adverse credit history associated with the amount discharged is removed.

Affected Sections: 8.2.H., ^{CCI}8.2.H.

Effective Date: All new loan discharge forms sent to borrowers on or after

August 1, 1999. Other loan discharge applications sent to borrowers prior to that date may still be processed after that date.

Policy Information: Reference #368

Guarantor Comments: None ★

PRODUCT SUPPORT FORUM

QUESTIONS AND ANSWERS

Q: I've noticed that I can use OnLine Access from either my AdvanTG™ software or through my Internet connection. What's the difference and which should I use?

A: Currently TG supports two ways to connect to OnLine Access — through a dial-up connection in AdvanTG or by using TG's Host On Demand (HOD) software through the Internet. For those customers who don't have a modem attached to their machines, don't have AdvanTG installed on their PCs, or simply prefer to use the Internet, TG recommends using OnLine Access via the Web (HOD). Future versions of AdvanTG are planned to include OnLine Access via the Web as a replacement to the direct dial-up feature currently available in AdvanTG.

Q: How long before my OnLine Access connection times out? Sometimes I have to leave my desk for a brief time and when I come back, I'm locked out? What do I do?

A: For security reasons, the OnLine Access connection times out after 15 minutes of inactivity. Given this, TG recommends that you log out immediately after using OnLine Access to prevent the possibility of

having your connection locked up the next time you attempt to connect. If you get locked up, make sure you give TG your Login ID when calling or writing to get unlocked.

Q: I thought I logged out of OnLine Access via the Web (HOD) correctly the last time I used it, but now I have an error message telling me I'm already logged on. What happened?

A: To make certain that you have logged out correctly from OnLine Access, you should look for the "shooting star" screen. Once you reach this screen, you are logged out of TG's mainframe and can exit in any manner you choose.

Q: I tried to log out of OnLine Access the way I was told to when I first got AdvanTG, and it's not working. What am I doing wrong?

A: If you are using OnLine Access via the Web (HOD), the procedure for logging out is slightly different than if you use a dial-up connection. When using OnLine Access via the Web (HOD), your CTRL-F2 key will not take you back to the Net-Pass Activity Table. A quick shortcut to log out of OnLine Access via the Web (HOD) is to hit your Page Down key from

anywhere within the application. Doing this takes you directly to the Net-Pass Activity menu. At the Net-Pass Activity menu command line, type "L" and hit Enter. Doing this takes you back to the "shooting star" screen. ★

Common Manual Pagination Correction

In the July 1999 updates of the paper copy of the *Common Manual*, an error was made in the pagination of the cross-referenced information in the Table of Contents and in Appendix I for chapter 8^{CCI}. For example, the Table of Contents references page 44 for Loss of Guarantee where it should reference page 42. There are 15 pages with incorrect references. The replacement pages are available in Portable Document Format (PDF) on *TGWorks Online* at www.tgslc.org under "Schools & Lenders, More Resources."

Please note that the pagination problem is only in the paper version; the electronic version is correct. ★

Elimination of Paper BCR Delayed Until March 2000

Texas Guaranteed Student Loan Corporation (TG) is delaying the elimination of the paper Borrower Change Report (BCR) until March 6, 2000. Last month, TG announced that the paper BCR would be eliminated at the end of January, and that beginning in February the information would be distributed via TG's Connect:Mailbox. The February implementation was based on the assumption that the majority of paper BCR recipients used Connect:Mailbox to transmit National Student Loan Data System (NSLDS) Lender Manifest data to TG.

When TG began building the distribution profiles to replace the BCR, it was discovered that the number of lenders receiving paper BCRs far exceeded the number providing NSLDS Lender Manifest data. Discrepancies between the two reporting processes must be resolved. The paper BCR elimination is postponed to allow adequate time for TG to accomplish this task and adequate time for users to test their ability to successfully access Connect:Mailbox and extract a file.

Current recipients of paper BCRs will receive a paper report at the beginning of March. Anyone receiving paper reports who

is not using Connect:Mailbox to transmit data for NSLDS should contact Kay Morgan immediately to confirm distribution information and to arrange for access to the Connect:Mailbox system. Kay can be reached by calling (800) 252-9743, ext. 4570. ★

FY 2000 (Continued from page 1)

Special Allowance Rate Calculations to Use Commercial Paper

Also receiving final congressional approval was HR 1180 — the Work Incentives Improvement Act of 1999 — which includes a provision that substitutes the 91-Day Treasury Bill interest rate with the three-month (90-day) Commercial Paper (CP). The change is included in Section 409 of the bill.

The change means that special allowance rates that lenders receive on student loans made from January 1, 2000, to June 30, 2003, will be calculated by adding a spread to the average of the 90-day financial CP rates. The payments will be calculated

quarterly. The rates for various student loans will be as follows:

- Federal Stafford loans in repayment: 90-day CP plus 2.34 percent;
- In-school, grace, and deferment rate for Stafford loans: three-month CP plus 1.74 percent; and
- Federal PLUS loans in repayment and Consolidation loans subject to variable interest rate: 90-day CP plus 2.64 percent.

Please note that the interest rate calculation for borrowers has not changed. It is still based on the 91-day Treasury bill. This change affects only a lender's special allowance. ★

Calendar Year Variable Interest Rate

The Department of Education (ED) issued a memo regarding the PLUS/SLS variable interest rate — “91-day Treasury Bill” method. Due to the wording of certain promissory notes, some PLUS/SLS loans are subject to a calendar year adjustment of the variable interest rate. This rate applies only to those PLUS/SLS promissory notes that provide for a calendar year adjustment based on the “91-day Treasury bill” method. This method existed prior to enactment of the Higher Education Technical Amendments Act of 1987. It is highly likely that most of these loans have been paid-in-full or refinanced by now.

The rate is equal to the average of the 91-day Treasury Bills auctioned during the 12-month period ending November 30 plus 3.75 percent, not to exceed 12 percent. The interest rate for calendar year 2000 is 8.48 percent [4.73% (91-day T-bill average) + 3.75%]. ★

DEFAULT PREVENTION SUPPORT (Continued from page 3)

implemented default management programs. The information provided on the report is derived directly from RFA updates received by TG from lenders and servicers.

Another valuable report provided by TG is the Default Management Report (DMR). The DMR lists all TG borrowers at a school who entered repayment during a specified fiscal year. The report allows a school to determine which borrowers are currently in delinquency, have pending claims, or have defaulted loans with TG. A third section of the DMR provides addresses and telephone numbers for borrowers who entered repayment during the last cohort year.

In addition to these reports, TG provides Lender and Servicer Cohort Default Rate reports that provide cohort default rate estimates for lenders and servicers based upon TG borrowers at a particular school. The reports also provide estimates of the overall cohort default rates of lenders and servicers based upon TG data. The school's estimated cohort default rate is displayed on the report. Lenders and servicers are listed on separate reports.

In addition, TG provides its School and Lender Fact Sheets to deliver basic TG student loan program data, enrollment statistics, academic outcomes, student cost information and other data about each

postsecondary institution and each financial institution in the state of Texas that participates with TG. Fact Sheets can be viewed at *TGWorks Online* (www.tgslc.org) under Publications.

Providing Default Awareness Support

Above and beyond DPRV's default aversion activities, DPRV actively participates in TG default awareness programs. Through its Achieving Systemic Default Aversion (ASDA) program, TG is working with Historically Black Colleges and Universities (HBCUs) to implement a three-part plan designed to control cohort default rates. TG is now focusing on the next phase of the project, which will provide similar services to other institutions that might benefit from the plan as a part of their default aversion program. The program is based upon *Default Prevention: A Model for Institutions of Higher Learning*, a plan developed by TG and the Council for the Management of Educational Finance to improve default prevention efforts. The Council consists of schools, lenders, and servicers who are dedicated to lowering defaults.

TG employs two Default Aversion Consultants who work in conjunction with

the Council to help schools who want assistance in developing default prevention plans. Other DPRV team members attend and participate in conferences and seminars throughout Texas. Over the past five years, the TG cohort default rate has declined from 17.3 percent to 11.7 percent as a result of these various efforts.

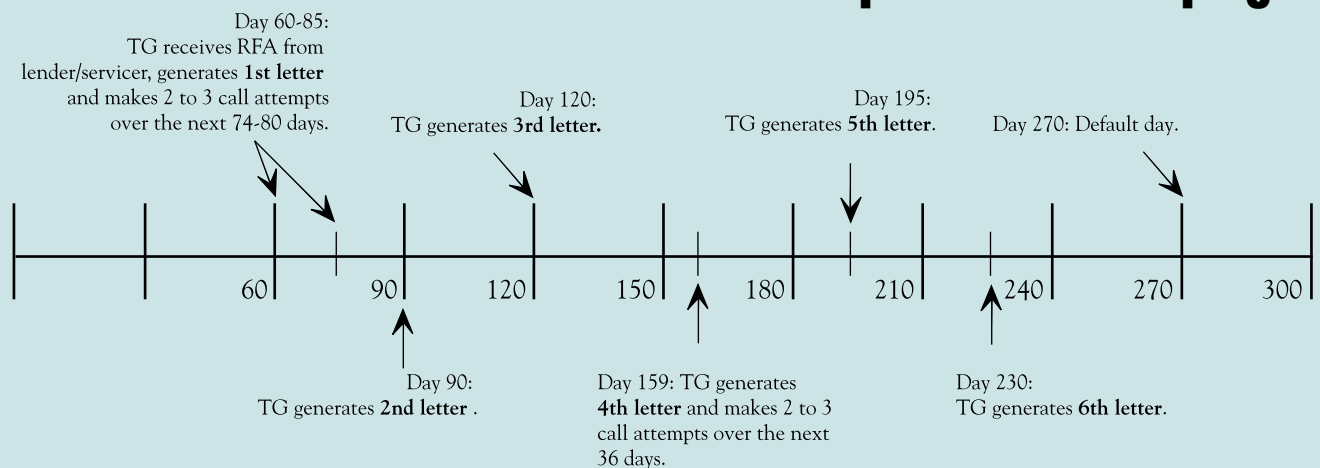
Achieving Optimum Results

TG's extensive default aversion program adds value and complements default aversion activities performed by schools, lenders, and servicers early in a borrower's delinquency. Although recent regulations allow lenders to submit RFAs up to the 120th day of delinquency, TG encourages RFA submissions between day 60 and day 80 for optimum impact of its default aversion efforts.

Questions

For questions regarding TG's default aversion program, contact DPRV at (800) 252-9743. Questions should be addressed to Art Cruz, ext. 4934, or Shelia Dunlap, ext. 4642. E-mail requests can be sent to art.cruz@tgslc.org or shelia.dunlap@tgslc.org. ★

Timeline for TG Preclaims Letters and Telephone Call Campaigns



Return Service Requested

TG Requests Community Assistance with Teleconference

Texas Guaranteed Student Loan Corporation (TG) is sending out a community call to action to businesses, civic groups, schools, and any other organizations with satellite downlink capabilities. TG is asking for volunteers to serve as host sites for the 5th Annual Statewide Free Application for Federal Student Aid (FAFSA) Teleconference.

"Applying for Financial Aid: The FAFSA Process" is scheduled to air from 6:30 to 8:30 p.m. CST on Thursday, February 10, 2000. The event helps families and students complete the FAFSA and gets them on the right track to finding the financial aid they need to pay for their postsecondary education. By taking students and their parents step-by-step through the entire application, the teleconference helps to

remove some of the frustration that can result from answering the approximately 100 questions on the FAFSA.

"Our hope is that, as a public service, organizations will serve as host sites to the families and students in their communities," said Trina McKinzie Manor, TG Director of Awareness Programs. "More than 60 organizations, mostly high schools and colleges, served as host sites this past February and we hope to exceed 100 organizations for the next year's teleconference."

Questions

For questions about the FAFSA Teleconference, contact Trina McKinzie Manor at (800) 252-9743, ext. 2865, or send an e-mail message to awareness@tgslc.org. ★

Texas Guaranteed
Student Loan Corporation
P.O. Box 201725
Austin, Texas 78720-1725
(800) 252-9743 • (512) 219-5700
(512) 219-4560 *speech and hearing impaired*
www.tgslc.org

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To ask questions about the articles in *Shoptalk*, subscribe or order additional copies, please contact Communications at (800) 252-9743, ext. 2878 or communications@tgslc.org

Contributors to this month's edition:

Art Cruz	Laura Kowalski
Shelia Dunlap	Laura Lavergne
Suzy Epley	Trina Manor
Bryan Fritch	Andrea McCrea
Valerie Gonzalez	Kay Morgan
Darron Grussendorf	Alicia Terry
Brent Hay	George Torres

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Online copies of *Shoptalk* are available at www.tgslc.org.