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IN THIS ISSUE:

TG Paves the Way for MPN Processing

On February 19, 1999, the same day the Department of Education issued the *Dear Colleague Letter* approving the Federal Family Education Loan Program (FFELP) version of the Master Promissory Note (MPN), a student at Tarleton State University in Stephenville, Texas, became what is expected to be the first student in the nation to fill out an MPN for next year. Texas Guaranteed Student Loan Corporation (TG) will guarantee the loan.

TG's annual conference, "Team up for 2000," to be held April 7-9, 1999, will include both school and lender sessions related to MPN policy and implementation issues.

Though schools can continue to use the common Stafford application and promissory note for 1999-2000, schools may want to implement MPN processing in 1999. That way, many of their students can start realizing the benefits of the serial borrowing feature of the MPN as soon as fall 1999.

Note: The MPN was approved on February 19, 1999. However, on March 15, 1999, ED changed box 11 of the MPN. TG is making all required changes as quickly as possible in hopes of keeping to the implementation schedule outlined in this article.

TG Helping Schools and Lenders Prepare to Use MPN

TG is currently making presentations on the MPN for schools and lenders at the TASFAA Regional Rallies being held all over Texas in February, March, and April 1999. At the Regional Rallies, TG will be presenting information about MPN policies, integrating the MPN into each school's individual processes, and revisions to AdvanTG™ and TG's systems to process loans using the MPN.

TG's annual conference, "Team up for 2000," to be held April 7-9, 1999, also will include both school and lender sessions related to MPN policy and implementation issues.

TG's Solutions and Tools for MPN

AdvanTG version 2.1 will facilitate the guarantee and printing of the new MPN form. This version, which will be available in April 1999, will be CommonLine Release 4 compatible for application and response formats. TG plans to add MPN tracking capabilities to AdvanTG and its mainframe processes by fall 1999.

Customers should note that AdvanTG version 2.1 will continue to support importing and exporting in LINC and CommonLine release 3 formats. However, schools using these formats will not receive the same detail of MPN data as CommonLine release 4 compatible schools. Due to these limitations, TG recommends that schools convert to CommonLine Release 4 file formats by July 1, 2000, when the use of an MPN form will be required for all new Stafford loans. TG plans to discontinue support of proprietary LINC formats at that time. TG anticipates that Financial Aid Management Systems (FAMS) vendors will be CommonLine release 4 compatible by spring 2000.

If your school uses a proprietary loan management system, you should notify your in-house technical staff of

See MPN PROCESSING on page 2.

MPN PROCESSING (Continued from page 1)

this spring 2000 requirement as soon as possible. CommonLine release 4 layouts are available on the NCHELP web page at www.nchelp.org.

APPS and Loans by Web for MPN

TG is preparing its Application Printing and Processing Solution (APPS) and Loans by Web for MPN processing.

APPS will work for the initial MPN loan the same way it currently works for the common application and promissory note. Schools using APPS will supply certification data through AdvanTG. TG will print the MPN and mail it to the student along with instructions for students to complete the MPN and forward it to the lender. Once MPN tracking capabilities are implemented, application printing for subsequent MPN loans will be suppressed.

TG's Loans by Web is a tool that allows students to complete the student portion of the MPN (or common application) on the web, print the MPN or common application at a local printer, and mail it to the lender. Certification information is loaded to Loans by Web from information the school provides in AdvanTG.

In addition to accommodating MPN printing, Loans by Web can serve as a "confirmation" tool for schools that use the serial borrowing functionality of the MPN.

Loans by Web also offers an online entrance counseling session that schools can direct their students to complete prior to filling out the MPN or confirming a new loan award. The Loans by Web entrance counseling feature tells the student basic information about the MPN process, in addition to standard required entrance counseling information. Schools are notified when the student completes the entrance counseling session.

Implementing the MPN in 1999-2000

TG has surveyed the top 25 volume schools, as well as several health science schools, to assess interest in MPN processing for 1999-2000. As of February 15, 1999, about 15 schools were planning to implement the new form in 1999. The results of these surveys will be available on *TG Works Online* during March 1999. TG is continuing to survey and reaffirm initial responses from schools and lenders about their implementation plans both at the TASFAA rallies and by phone.

Institutions planning to implement the MPN form in 1999 should contact TG to indicate their intent to do so as soon as possible. Please contact TG's Customer Support team at (800) 252-9743, ext. 4444, or your institution's Customer Services Representative.

Based on knowledge of participating institutions, TG will be holding more in-depth discussions about implementation issues for those schools and lenders at meetings being scheduled in March and April at TG in Austin. In addition, TG will be coordinating AdvanTG upgrades to be downloaded by each institution based on their implementation schedules.

Inventing the Best Solutions Together

The MPN offers a new level of service to students and reduces paperwork for FFELP schools, lenders, and guarantors. The first year, 1999-2000, will be an especially important year because new approaches will be waiting for discovery. TG will be working closely with schools and lenders throughout this first year to address MPN processing issues and to implement MPN tracking capabilities.

Questions

For questions about the MPN, TG's solutions and tools, or getting your institution ready for MPN processing, call TG Customer Support at (800) 252-9743, ext. 4444, or send e-mail to customer.services@tglsc.org. ★

Guarantee Edit Changes

Effective for loans certified on or after October 1, 1998, Cost of Attendance (COA), Estimated Financial Aid (EFA), and Federal Expected Family Contribution (EFC) information no longer must be provided to the lender before a Stafford or PLUS loan can be processed. According to the 1998 Reauthorization Amendments, the school is expected to maintain documentation of a student's COA, EFA, and EFC, but is only required to transmit information regarding the loan amount for which the student shows need and the disbursement schedule of the loan.

In February, Texas Guaranteed Student Loan Corporation (TG) removed front-end software edits requiring the data entry of the COA, EFA, and EFC application fields from Loans by Web and AdvanTG™ Version 2.1 scheduled for release in spring 1999. Also, similar mainframe edits requiring the COA, EFA, and EFC application fields have been removed. TG continues to store and display this information when provided, although these fields no longer will be required for guarantee.

Questions

Questions about the changes to the requirements should be addressed to Kyle Smith, Loan Guarantee Operations Assistant Vice President, at (800) 252-9743, ext. 4894, or send an e-mail message to lgo.helps@tgslc.org. ★

MPN Simplifies Stafford Loans for Everyone

Federal Family Education Loan Program (FFELP) providers now have a new way of delivering FFELP funds that accommodates family and student customers in much the same way as other modern financial services — including investment services, home and auto loans, and personal banking.

> The Master Promissory Note (MPN) promises faster delivery of funds with greater simplicity for FFELP borrowers — borrowers who would rather spend their valuable time studying for class, not filling out complex and redundant forms in the financial aid office.

The Master Promissory Note (MPN), which was approved in a Department of Education (ED) *Dear Colleague Letter* last month (GEN-99-9), promises faster delivery of funds with greater simplicity for FFELP borrowers — borrowers who would rather spend their valuable time studying for class, not filling out complex and redundant forms in the financial aid office.

The MPN is the new Stafford promissory note. It will completely replace the existing common application and promissory note for all loans certified on or after July 1, 2000 (or any loan period beginning on or after July 1, 2000). The MPN can be used for any loan period beginning on or after July 1, 1999.

The MPN is much more than just a new form. In fact, the purpose of the MPN is to reduce forms. The MPN offers an entirely new way to process and deliver Stafford funds.

The common application and promissory note served its purpose in its day. With the common application and promissory note, students applied first for federal financial aid using the Free Application for Federal Student Aid (FAFSA). Then, they applied again for a Stafford loan using the common application.

That process made Stafford loans uniquely complex among other types of federal student aid. With Federal Pell Grants, for example, the FAFSA is the only application the student must complete. The school determines the student's eligibility, notifies the student accordingly, and delivers the funds to the student. No additional "applications" are required.

The Stafford loan has always been different for two primary reasons. First, loans need a *promissory note*, that is, a contract where a borrower promises to repay borrowed money. The FAFSA does not serve as a promissory note. Second, Stafford loan money is outside the direct control of schools. Unlike Federal Pell grant funds or campus-based funds, such as Federal Work-Study and Perkins Loans, which are drawn down from the federal government directly by the school, Stafford loan funds are disbursed to the school by private lenders.

Because of the additional requirements of Stafford loans, the common application and promissory note served a dual purpose. It was a legal contract whereby the borrower promised to repay his or her Stafford loan money. And, it was a method of requesting Stafford loan funds, because the common application and promissory note also served as a "certification" form for a school to notify the lender of the student's Stafford eligibility.

> TG has devoted a special section of *TGWorks Online* at www.tgslc.org to the MPN. The web page includes important resource information on the MPN as well as MPN forms and instructions for ordering forms.

Before electronic processing, the common application and promissory note was ideal. In the age of CommonLine and electronic origination of loans, however, the common application has become overly complex. It requires a borrower to "apply" for a Stafford loan, separately from the FAFSA, just so the school can "certify" the form to request the funds.

Enter the MPN. The MPN is neither an application nor a school certification. It is only a promissory note. With the advent of the MPN, the student applies for his or her Stafford loan on the FAFSA — along with all other federal aid. The school packages the student for Stafford funds, if appropriate, and notifies the student of the award amount. The student accepts the award, reduces it or declines it, and if necessary, completes an MPN.

The revolutionary part is this: Many students will complete the MPN only the first year. Because the student's first MPN secures the promise to repay funds borrowed for that year and every subsequent year, the student does not need to fill out a new promissory note with each new loan.

Initially, four-year schools and graduate schools will be authorized to offer students the serial borrowing feature of the MPN. ED will grant some other schools permission to use the serial borrowing feature also. However, most two-year, proprietary, and technical institutions will use the MPN as a single-loan note because students in those programs are likely to complete their education in a relatively short amount of time, thus making the serial borrowing feature unnecessary. All students who fill out an MPN will reap the benefits of the simplicity and plain-English disclosure and instructions.

A student who signs a serial loan MPN can continue to borrow under the original MPN for up to ten years, as long as he or she is attending an eligible school. The borrower needs to sign a new MPN only if he or she changes lenders or if the borrower, school, or lender wishes the borrower to complete a new MPN.

Most serial loan borrowers will not need to sign a new MPN before they complete their education, however. The MPN, by its nature, encourages the use of a single lender and guarantor over the life of the student's borrowing.

More Information on TG's Web Site

TG has devoted a special section of *TGWorks Online* at www.tgslc.org to the MPN. The web page includes important resource information on the MPN as well as MPN forms and instructions for ordering forms.

Currently, the web page features the following MPN resources:

- All *Dear Colleague Letters* issued by ED concerning the MPN.
- The MPN "Implementation Guide" and "Implementation Checklist" published by the

See MPN SIMPLIFIES on page 5.

Team Up for the TG Annual Conference

It's just around the corner! The 1999 Texas Guaranteed Student Loan Corporation (TG) annual conference, "Team Up for 2000," will be held April 7-9, 1999, at the DoubleTree Hotel in Austin. The conference theme focuses on the importance of teamwork as the Texas FFELP industry approaches the new millennium.

Featured Speakers

This year's team of guest speakers features state and national experts from across the financial aid industry. Merna Jacobsen, Director of the Tointon Institute for Educational Change at The University of Northern Colorado, will deliver the conference keynote address.

The conference agenda features a wide variety of training sessions and panel discussions including:

- "Meet TG" and "Basics of Financial Aid" classes for industry newcomers,
- A panel discussion of Year 2000 contingency and community planning issues,
- Master Promissory Note sessions for schools and lenders,
- A panel discussion of statewide collaborations for pre-collegiate outreach efforts in Texas,
- A special interactive working session where attendees can provide direct feedback regarding The Council for the Management of Educational Finance's Default Model,
- Several TG solutions and tools training sessions throughout the conference, and
- Some fun activities for your enjoyment.

There are three ways to register for the conference:

- Register online at www.tgslc.org under "What's New";
- Fax your confirmation to TG Customer Services at (512) 219-4525; or
- Mail your registration form to TG Customer Services, ATTN: Conference Registration, P.O. Box 201725, Austin, TX 78720-1725 (Registration forms were mailed to TG customers in January.)

Golf Tournament

TG will be hosting a golf tournament in conjunction with this year's conference. The tournament, a four-person scramble or select-shot format, will be held at Jimmy Clay Municipal Golf Course on April 6, 1999 (the day before the conference begins). The registration fee is $30 per person. For additional information or to obtain a registration form, please contact Steve Rose at (800) 252-9743, ext. 4583, or send an e-mail message to stephen.rose@tgslc.org.

TG Users Group Meeting

Immediately following the TG Conference on April 9, the TG Users Group (TUG) will meet at the DoubleTree Hotel. The TUG meeting agenda can be found in the January/February edition of *Shoptalk*. Registration information for the April TUG meeting is available in the TG Conference invitation and in the TUG registration package that recently was sent to current *Shoptalk* recipients.

Questions

For additional information concerning the TG Conference, please contact Lee Burleson at (800) 252-9743, ext. 4665. For information regarding the upcoming TUG meeting, please contact Sheila Casey at (800) 252-9743, ext. 4576. ★

HEAL Phase Out Update

The Department of Education (ED) issued *Dear Colleague Letter* (GEN-98-18) dated February 1999 announcing the extension of eligibility for increased unsubsidized Federal Stafford loan amounts due to the phase out of the Health Education Assistance Loan (HEAL) Program. In addition, ED has announced a decision by the Department of Health and Human Services (HHS) to relax signature requirements for certain health professions students.

Extension of Increased Unsubsidized Loan Amounts

As a result of the final phase out of the HEAL Program and completion of the reauthorization of the Higher Education Act of 1965, as amended, ED is extending *indefinitely* the authority of certain eligible schools to award increased annual loan amounts of unsubsidized Federal Stafford loans. (See *Shoptalk* 86 for details about expanded student eligibility, increased school eligibility requirements, and annual and aggregate loan limits.)

Parental Signature Requirement Relaxed

HHS sent a Memorandum dated December 1, 1998, to all schools and lenders participating in the Health Professions and Nursing Students Assistance Programs announcing its decision to relax the parental signature requirement for independent students. For health professions students applying for aid for academic year 1999-2000, ED will allow health professions schools participating in the Title VII campus based programs (HPSL, LDS, PCL, and SDS) to comply with the requirement to collect parent financial information for the purposes of determining student need. *However, a parent signature is not required during academic year 1999-2000.*

Questions

Schools and lenders may obtain a copy of GEN-99-7 by accessing ED's web site at http//ifap.ed.gov. For questions about this guidance letter, contact TG Customer Support at (800) 252-9743, ext. 4444, or send e-mail to customer.services@tgslc.org. ★

Updated Texas Financial Aid Kit Now Available

The newly revised 1999-2000 *Texas Financial Aid Kit* is now available from Texas Guaranteed Student Loan Corporation (TG). The kit helps families and students, schools, and lenders successfully locate the information they need for the 1999-2000 financial aid process.

Contents of the 1999-2000 *Texas Financial Aid Kit*

The kit includes the latest version of *FAFSA: Step-by-Step for Parents and Students*, a video of the teleconference by the same name broadcast on February 4, 1999. The new video provides an updated, in-depth guide to completing the Free Application for Federal Student Aid (FAFSA). This year's Spanish version of the video includes enhanced input from additional financial aid experts.

The kit contains the recently revised version of the *Financial Aid Resources Guide*, including a new section that helps students develop money management skills. The Guide includes detailed information about the financial aid process, including instructions about completing the FAFSA, answers to questions, a list of resources, budget worksheets, and more.

Included in the award-winning kit is the audio cassette, *The Big Picture*, which also has been updated this year. In addition, it includes *The Bottom Line*, a software program that helps determine a family's Expected Family Contribution, a copy of TG's "Scholarship Search Form," and a copy of the 1999-2000 FAFSA. (Copies of the FAFSA are always available free of charge from the federal government.)

Ordering Financial Aid Awareness Tools

Items from the 1999-2000 *Texas Financial Aid Kit* can be ordered individually or as a complete kit. Many of the items are available in Spanish and all can be ordered by contacting TG Customer Assistance at (800) 845-6267 or by visiting *Adventures in Education* at www.AdventuresInEducation.org and selecting "Order College Planning Tools." The first item you order is free. You pay only the shipping and handling. You can also address your questions about the items by e-mail to customer.assistance@tgslc.org. ★

MPN SIMPLIFIES (Continued from page 3)

National Council of Higher Education Loan Programs (NCHELP).

- MPN forms in PDF format.
- Instructions for ordering preprinted MPNs from TG.
- An order form for ordering a master copy of the MPN. Lenders who wish to print their own MPNs can use this order form.
- TG's MPN "wrap," with important borrower information, designed to fold around the MPN. TG's MPN wrap is also a good resource for schools to use in providing MPN information in entrance counseling.
- A copy of TG's training presentation on the MPN.
- Common questions and answers about the MPN.
- The latest news about the MPN.

To access the MPN section of *TGWorks Online*, go to www.tgslc.org, click on "Resources for Schools and Lenders," then click on "Master Promissory Note."

Schools and lenders can also order supplies of blank MPNs from TG by calling TG's Forms Coordinator at (800) 252-9743, ext. 4546. ★

Declared Disaster Data

The Department of Education (ED) published several notices about areas that the Federal Emergency Management Agency has declared to be natural disaster areas. ED's current disaster-related forbearance policy should be applied to certain borrowers who reside in counties in the following areas:

Date of Disaster	Disaster Letter #	Disaster Area	Reason
01/21/99	99-04	Arkansas	Tornadoes
01/21/99	99-05	Arkansas	Tornadoes
01/17/99	99-06	Tennessee	Tornadoes ★

TG Improves Fact Sheets

Texas Guaranteed Student Loan Corporation (TG) is improving its online School and Lender Fact Sheets. The revised Fact Sheets will be easier to use, present information that is more timely, and be more adaptable to the needs of Internet users. TG began producing School Fact Sheets in April 1994 and Lender Fact Sheets last year. The Fact Sheets are a service of TG that helps the student loan process run more smoothly. They provide:

- Students and families with information to help them make informed decisions about postsecondary education and the financial service providers that can help them achieve their educational dreams.
- Legislators with key information about schools, lenders, and students in their districts, such as population served, dependence on loans, and cohort default rates.
- Lenders with key information about their school business partners, such as cohort default rates, median borrower indebtedness, and graduation rates.
- Schools with key information about their lender business partners, such as loan volume and loan servicing arrangements.

School Fact Sheets

Changes to TG's School Fact Sheets include the addition of an interactive online HTML version of the Fact Sheets in addition to the PDF versions currently available. (See "Internet Jargon" right for an explanation of PDF and HTML.) The updated Fact Sheets will be on *TG Works Online* and *Adventures In Education* in March.

The HTML format will include information currently found in the PDF format, as well as a complete list of lenders who serve a school, and links to those lenders' Fact Sheets. Additionally, TG will update the lender list monthly to constantly "refresh" the picture of loan volume at a school.

TG also updated the paper versions of the School Fact Sheets and mailed them to more than 900 legislators, schools, lenders, and other interested parties during February. The updates include the school's web site address, the percentage of loan volume provided by a school's top ten lenders, and the school's median borrower indebtedness. The median indebtedness replaces the average borrower indebtedness previously used. The change will more accurately depict the typical borrowing experience at a particular school by eliminating the skewing that occurs when a small percentage of the school's borrowers incur unusually high debts.

Lender Fact Sheets

Changes to TG's Lender Fact Sheets are scheduled for later this year. The new versions will provide contact information and links to lender Internet home pages. They also will contain information about the types of loans a lender processes as well as processing information and details about servicers and secondary markets with which the lender does business.

In order to complete the updated Lender Fact Sheets, TG will survey lenders at the Association of Texas Lenders for Education (ATLE) Conference in April.

Locating Fact Sheets

You can find electronic versions of TG's School and Lender Fact Sheets on TG's corporate web site, *TG Works Online* at www.tgslc.org, under "Resources for Families and Students," "Resources for Schools and Lenders," and "Publications." The Fact Sheets also are available on *Adventures In Education* at AdventuresInEducation.org under "Selecting a School."

Questions

To obtain a paper copy of the School Fact Sheets or for questions about how the Fact Sheets can help families and students make more informed decisions about postsecondary education and related financial services, contact Jeff Webster, TG Director of Research and Policy Analysis, at (800) 252-9743, ext. 4504, or send an e-mail to jeff.webster@tgslc.org.

Internet Jargon — HTML and PDF

For "ordinary" people still getting used to the Internet and its new vocabulary, it is sometimes difficult to understand just what a particular term or file format does. The following information explains two of the file formats used with the School and Lender Fact Sheets and gives you direction on what you may need to know to use the Fact Sheets more productively.

PDF — Portable Document Format: A PDF format gives you a "picture" of the original typeset version of a document. It maintains the original graphics, type size, and type fonts used in the original. This is particularly important when printing material with charts and graphs because they can be distorted when files are converted from one type size or font to another and then printed. PDF files permit you to view and print a page that looks exactly like the page that was originally prepared by the organization that produced it. To view PDF files, you will have to obtain a free Adobe Acrobat plug in available from Adobe at http://www.adobe.com/prodindex/acrobat/readstep.html.

HTML — Hypertext Markup Language: An HTML format allows users to navigate more easily through a document that they wish to view and use online. When you print from HTML, however, your output document will be different from the original document. In fact, each person that prints the record will have a slightly different version of the same material because his or her computer may be configured differently.

The bottom line: If you want to work online, use an HTML version of the material. It's easier to read and get around in. If you wish to work from a paper copy, use the PDF version for downloading and printing. This will permit you to view and print exactly as the material was created. ★

COMMON MANUAL UPDATES

INFORMATION ON REVISIONS TO THE COMMON MANUAL

Transfer of Loan Guarantee

Previously, guarantors had various policies regarding the criteria for the transfer of a loan's guarantee from one guarantor to another. Although federal regulations specify two key criteria, policies were not consistent regarding the other parameters for the loan to remain insured with the new guarantor. The *Common Manual* guarantors have identified two general categories of guarantee transfers. In some cases, a borrower requests that a loan's guarantee be transferred from one guarantor to another in order to have all of his or her loans administered under a single guarantor. In other cases, lenders may request the change of guarantee based on changes in servicer or guarantor relationships.

In the case of a borrower-requested guarantee transfer, the transfer may occur only if the borrower's request is obtained in writing, and the holder and both guarantors agree to the transfer. In the case of a loan made to two borrowers as comakers, both borrowers must request the transfer in writing.

A guarantor will not accept a borrower-requested transfer of guarantee on any loan for which any one of the following conditions exist:

- The loan reflects or should reflect a stay of collection activities based on the borrower's filing of a bankruptcy action.
- The loan is 30 or more days delinquent.
- The loan is currently filed as a claim with the transferring guarantor.
- The lender does not know the current address of the borrower.

The lender must certify in writing to the guarantor accepting the transfer that, according to its records at the time of transfer, none of these conditions exist for the loan being transferred.

A guarantee may be transferred without the borrower's request only with the prior approval of the Department, the loan's holder, and both guarantors.

Prior to any guarantee transfer, the lender of the loan must have an active agreement with the guarantor accepting the transfer. The lender also must obtain in writing the borrower's request or the Department's approval, as applicable, and supply the guarantor accepting the transfer with copies of those documents, if required by that guarantor. Guarantee fees paid on the loan will not be transferred.

This policy is effective for guarantee transfer requests submitted by lenders on or after July 1, 1999, unless implemented earlier by the guarantor. Subsections now under section 3.3 are being renumbered, and this new policy is being added as a new subsection, 3.3.D., of the *Common Manual*.

Effect of PLUS Eligibility on Unsubsidized Stafford Loan Eligibility

Current *Common Manual* policy states that a school may certify a dependent student for additional unsubsidized Stafford loan funds if one of the student's parents is unable to obtain a PLUS loan.

However, if either parent later becomes eligible for a PLUS loan, current policy requires the school to request the cancellation of any future disbursements of additional unsubsidized Stafford loan funds.

Revised *Common Manual* policy has now been expanded to also state that the school must return to the lender any additional unsubsidized Stafford loan funds received by the school but not yet delivered to the student for that loan period.

Section 5.3 of the *Common Manual* has been updated to reflect this policy change, which is effective for loans certified by the school on or after July 1, 1999, unless implemented earlier by the guarantor.

New Lender Eligibility Provisions

The Higher Education Amendments of 1998 make two changes to the statutory definition of "eligible lender." In addition to the criteria that have existed for some years, lenders meeting either of the following criteria are eligible to participate in the FFELP:

- A bank (as defined in section 3(a)(1) of the Federal Deposit Insurance Act) that is a wholly-owned subsidiary of a tax-exempt, nonprofit foundation (as described in section 501(c)(3) of IRS Code of 1986, and exempt from taxation under section 501(1) of the Code), for purposes of making FFELP loans only to undergraduate students aged 22 or younger, provided the bank's FFELP portfolio does not exceed $5 million.
- A consumer finance company subsidiary of a national bank that, on October 7, 1998, acted as a small business lending company (as defined in regulations prescribed by the Small Business Administration) through one or more subsidiaries. The bank's direct and indirect subsidiaries together must not have as their primary consumer function the making or holding of education loans.

These changes have been added to section 3.1 of the *Common Manual*, and are effective retroactively to October 1, 1998, for banks that are wholly-owned subsidiaries of tax-exempt, nonprofit foundations, and to October 7, 1998, for consumer finance company subsidiaries as described above. The provisions are enforceable by the Department of Education, and as such, the trigger event will be determined by the Department.

Revised Interest Rate Formulas for Stafford and PLUS Loans

Revised *Common Manual* policy incorporates the current variable interest rate formulas for both Stafford and PLUS loans first disbursed on or after July 1, 1998. The formulas were initially implemented by the Temporary Student Loan Provisions of the Transportation Equity Act for the 21st Century and were carried forward without change by the provisions of the Higher Education Amendments of 1998.

Subsections 6.1.D. and 6.1.F. have been revised to include the following information:

- A Stafford loan first disbursed on or after July 1, 1998, has a variable interest rate not to exceed 8.25%, regardless of the period of enrollment or the interest rate on the borrower's previous loans. The interest rate is adjusted annually on July 1, and that rate remains in effect through June 30 of the following year. During periods when the loan is in an in-school, grace, or authorized deferment status, the interest rate is calculated by adding 1.7% to the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1. During periods when the loan is in repayment or forbearance status, the interest rate is calculated by adding 2.3% to the 91-day Treasury bill rate.

See *COMMON MANUAL* UPDATES on page 8.

- A PLUS loan first disbursed on or after July 1, 1998, has a variable interest rate not to exceed 9%. The interest rate is adjusted annually on July 1. The variable rate for each July 1 to June 30 period is calculated by adding 3.1% to the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1.

These changes are effective for Stafford and PLUS loans first disbursed on or after July 1, 1998.

Elimination of Bankruptcy Discharge for Loans in Repayment More than 7 Years

Current *Common Manual* policy states that if a borrower files a Chapter 7 or Chapter 11 bankruptcy on a loan that has been in repayment for more than 7 years, the lender must file a bankruptcy claim. Subsections 8.2.D. and CCI 8.2.D. have been revised to reflect a change in title 11 of the U.S.C. (the bankruptcy code), which eliminates bankruptcy discharge on chapter 7, 11, 12 and 13 bankruptcies for FFELP borrowers after they have been in repayment for 7 years. The bankruptcy code continues to allow discharge for undue hardship.

A lender must file a bankruptcy claim with the guarantor if either of the following conditions exist:

- A borrower files for bankruptcy under Chapter 12 or 13.
- A borrower files a petition for undue hardship (adversary complaint) under a Chapter 7 or 11 bankruptcy.

Based on the changes to title 11, the definition of "Undue Hardship (Adversary) Petition" also has been revised to state "A motion to have a loan discharged in a bankruptcy case on the grounds of undue hardship."

These changes reflect the provisions of the Higher Education Amendments enacted on October 7, 1998. The changes are effective for loans on which a borrower files for bankruptcy on or after October 8, 1998.

Consolidation Loan Changes

The Higher Education Amendments of 1998, signed by the President on October 7, 1998, revised certain provisions of the Federal Consolidation loan policy. The following changes, implemented to comply with the Amendments, are effective for loan applications received by the lender on or after October 1, 1998, and have been incorporated into the *Common Manual*:

Consolidation Loan Nondiscrimination

Subsection 9.1.A. of the *Common Manual* has been revised to state that a Consolidation loan lender may decline to consolidate Health Professions Student Loans (HPSL), including Loans for Disadvantaged Students (LDS), Nursing Student Loans (NSL), and Health Education Assistance Loans (HEAL) loans.

Loans That May Be Consolidated

Another revision to section 9.2 of the *Common Manual* removes the restricted time period during which the borrower may include an FDLP loan among loans that may be included in a Federal Consolidation loan, and updates information on adding loans after consolidation.

A borrower who currently has a Federal Consolidation loan is eligible for another Federal Consolidation loan if the borrower has obtained a new eligible loan after the date the original Consolidation loan was made. Any or all outstanding eligible loans may be consolidated, including loans made prior to any previous Consolidation loan.

Federal education loans that may be consolidated include: Federal and Direct Stafford, PLUS, SLS, and Consolidation loans, FISL, Perkins, Health Professions Student Loans (HPSL), including Loans for Disadvantaged Students (LDS), Nursing Student Loans (NSL), and Health Education Assistance Loans (HEAL).

If a borrower with a Federal Consolidation loan chooses to consolidate again and meets the eligibility requirements, the borrower can include any combination of the following into the new Consolidation loan: (1) any loans made prior to the original Consolidation loan and not included in that consolidation, (2) the original Consolidation loan, and (3) any new loans obtained after the original Consolidation loan. However, the borrower is not required to include the new loans made after the original Consolidation loan even though it was those loans that qualified him or her for the subsequent consolidation.

A Consolidation loan may be consolidated only if the borrower, or either spouse in a couple that jointly consolidated, obtained a new eligible loan after the date the original Consolidation loan was made.

A borrower may add to any outstanding Consolidation loan any eligible loans received before or after the date of the consolidation, provided the borrower, or either spouse in a couple that jointly consolidated, makes a request within 180 days of the date the Consolidation loan is made. After the 180-day period, the borrower may not include additional loans into the outstanding Consolidation loan.

Consolidation Eligibility and Underlying Loan Requirements

Section 9.2 of the *Common Manual* has been revised to include current Consolidation loan borrower eligibility provisions. The new policy removes the reference to temporary provisions concerning cancellation of a Direct Consolidation loan application through September 30, 1998. Section 9.3 has been removed and reserved, because it contained information that has now been moved into section 9.2.

A borrower must not be subject to a judgment secured through litigation or an order of administrative wage garnishment on a Title IV loan. If the judgment has been released or the wage garnishment order has been rescinded, the borrower may be eligible to consolidate the loans.

A borrower or married couple with FFELP loans held by multiple lenders may request consolidation from any participating consolidation lender, regardless of whether the consolidating lender is a holder of any of the borrowers' loans.

In the case of a married couple seeking a joint Consolidation loan in which all of the loans to be consolidated are held by a single lender, only one of the borrowers must contact the lender and only one of the applicants is required to make the certification that they unsuccessfully attempted to obtain consolidation from the holder of their loans, or that the holder of their loans does not offer an income-sensitive repayment schedule.

See *COMMON MANUAL* UPDATES on page 9.

Consolidation Loan Interest Rate

Subsection 9.4.D. of the *Common Manual* has been revised to incorporate the following interest rate table and to reflect the Consolidation loan interest rate effective for loan applications received by the lender on or after October 1, 1998.

Consolidated Loan Interest Rates

LOAN CHARACTERISTIC	INTEREST RATE	
Applications received by the lender on or after 10/1/98	Portion attributable to FFELP, FDLP, FISL, Perkins, HPSL, or NSL loans	Portion attributable to HEAL loans (if applicable)
	Fixed Weighted average of the interest rates on the non-HEAL loans being consolidated, rounded up to the nearest one-eighth of one percent, not to exceed 8.25%. [HEA 427A(k)(4)]	Variable[1] Average of the bond equivalent rates of the 91-day Treasury bills auctioned for the quarter ending June 30, plus 3.0%. [HEA 428C(d)(2)(A) and (B)]
Applications received by the lender between 11/13/97 and 9/30/98, inclusive	Portion attributable to FFELP, FDLP, FISL, Perkins, HPSL, or NSL loans	Portion attributable to HEAL loans (if applicable)
	Variable[1,2] Bond equivalent rate of the 91-day Treasury bills auctioned at the final auction before the preceding June 1, plus 3.1%, not to exceed 8.25%. [HEA 427A(k)(4)]	Variable[1] Average of the bond equivalent rates of the 91-day Treasury bills auctioned for the quarter ending June 30, plus 3.0%. [HEA 428C(c)(2)(A) and (B)]
Loans made on or after 7/1/94, from applications received by the lender before 11/13/97	Fixed Weighted average of the interest rates on the loans being consolidated, rounded up to the nearest whole percent. [HEA 428C(c)(1)(C)]	
Loans made before 7/1/94	Fixed Greater of 9% or weighted average of the interest rates on the loans being consolidated, rounded to the nearest whole percent. [HEA 428C(c)(1)(B); §682.202(a)(4)]	

[1]*All variable interest rates are adjusted annually on July 1.*

[2]*Lenders who initially calculated the interest rate using the weighted average were required, no later than April 1, 1998, to recalculate the loans at the variable rate retroactively to the date the loans were disbursed and apply any credits to the borrower's account.*

Calculating the Weighted-Average Interest Rate

With the exception of any outstanding balance representing a HEAL loan, the outstanding balance of all eligible loans to be consolidated are included in the weighted-average interest rate calculation. A weighted-average interest rate is calculated as follows: The following exemplifies a weighted-average interest rate calculation for a loan application received by the lender on or after October 1, 1998:

Step 1

Multiply the outstanding balance of each loan to be consolidated by that loan's current interest rate. A variable rate loan should be included in the calculation at the rate at which it is currently accruing.

Example: Outstanding loan balances are $3,500, $3,200, and $5,500, respectively — for a total of $12,200. The current interest rates for the loans are 7%, 5%, and 9% respectively.

$3,500 X .07 = $245

$3,200 X .05 = $160

$5,500 X .09 = $495

Step 2

Add the results of all calculations made under Step 1. Then divide this sum by the outstanding balance of all loans being consolidated.

Example: $245 + $160 + $495 = $900

$900 / $12,200 = .07377 or 7.377%

Step 3

Round the result of Step 2 up to the nearest one-eighth of one percent, not to exceed 8.25%.

Example: 7.377% is rounded up to 7.50%

See *COMMON MANUAL* UPDATES on page 10.

COMMON MANUAL UPDATES (Continued from page 9)

A lender may charge the borrower a rate that is less than the statutory maximum. If a lower rate is charged, the lender must ensure that reports issued to the Department (such as the ED Form 799) are adjusted. See appendix A for more information on ED Form 799 reporting.

A lender must notify a borrower, at the time a lower interest rate is offered, that the lower-rate interest ends on the date a default or ineligible borrower claim is purchased by the guarantor. The lender may provide this information in any format. Documentation of the notice must be maintained in the borrower's file. A lender is encouraged to include the documentation (showing that the borrower was informed that the lower interest rate expires upon claim purchase) with default and ineligible borrower claim files. The lender will be required to provide this documentation if a borrower challenges the guarantor or the Department for charging the applicable statutory maximum interest rate during postclaim interest accrual. If the issue goes to court and the decision is in favor of the borrower such that the loan is unenforceable at the statutory maximum interest rate, the lender will be required to repurchase the loan and the guarantee will be withdrawn permanently. The lender may be required to reimburse the guarantor for any court costs or court-imposed fines or penalties.

Interest Benefits on Consolidation Loans

Sections 9.7 and A.1 have been revised to reflect new provisions regarding interest benefits for Consolidation loans.

A Federal Consolidation loan made from an application received by the lender on or after November 13, 1997, is eligible for interest subsidy during authorized periods of deferment on any portion of the Consolidation loan that paid an underlying subsidized Federal Stafford loan or an underlying subsidized Direct Stafford loan. The borrower is responsible for interest payment during periods of authorized deferment on any Consolidation loan, or any portion of a Consolidation loan, that paid any loan type other than a subsidized Federal Stafford loan or a subsidized Direct Stafford loan. ★

AdvanTG Manual Completed

Throughout the last month, users of AdvanTG™, Texas Guaranteed Student Loan Corporation's (TG) newest Windows-based loan processing tool, were sent copies of the recently completed *AdvanTG Manual* along with copies of a condensed *BNet Manual*. The manuals, which provide detailed instructions for using the software tools, were sent to users who have already had AdvanTG installed and have been trained on its use. During future training sessions, copies of the manuals will be provided to schools and lenders in attendance. TG will send supplements to the manual to users as upgrades are made to the software.

To find out more about how AdvanTG and BNet can help make your current processes run more efficiently or for questions about manuals, installation, and/or training, contact TG Customer Support by calling (800) 252-9743, ext. 4444, or by sending e-mail to customer.services@tgslc.org. ★

Draft Cohort Default Rates

The Department of Education (ED) plans to mail to all schools their fiscal year (FY) 1997 draft cohort default rates on March 29, 1999. The draft cohort rates are provided to schools for informational purposes and have no immediate consequences during the draft review period. These rates are not considered public information and may not be released to the public by guaranty agencies or ED.

ED provides schools a 30-calendar-day review period to challenge the draft cohort rates based on allegations of erroneous data. Schools may appeal the official rates calculated by ED later this year based on allegations of exceptional mitigating circumstances, erroneous data, or improper loan servicing/collection. The exact publication date for the official rates is unknown at this time.

Challenges of the draft rates should be mailed to TG Compliance Administrative Operations, Attention Ken Johnson, P. O. Box 201725, Austin, Texas 78720-1725.

Schools that do not receive their FY 1997 draft cohort rate data may request a copy of the data by contacting ED's Default Management Section at (202) 708-9396.

Questions

For questions about the FY 1997 draft cohort rate challenge procedures, contact Ken Johnson at (800) 252-9743, ext. 4701, or send e-mail to ken.johnson@tgslc.org. ★

Federal Register Notices

Learning Anytime Anywhere Partnerships

The Department of Education (ED) published a Notice in the January 26, 1999, *Federal Register* inviting applications for new awards for Fiscal Year 1999 for the Learning Anytime Anywhere Partnerships (LAAP). The funds awarded to an eligible partnership must be used to conduct one or more of the following activities: (a) Develop and assess model distance learning programs or innovative educational software. (b) Develop methodologies for the identification and measurement of skill competencies. (c) Develop and assess innovative student support services. (d) Support other activities consistent with the statutory purpose of this program. ED is particularly interested in applications that meet one or more of the eight invitational priorities listed in the *Federal Register*.

All applicants must submit a preapplication to be eligible to submit a final application. The applications became available on January 26, 1999. The deadline for transmittal of Preapplications is April 2, 1999. The deadline for transmittal of final applications is June 18, 1999. For a copy of the applications, contact ED at (202) 358-3041, send an e-mail message to LAAP@ED.GOV, or access an electronic version via the Internet at http://ocfo.ed.gov/fedreg.htm or http://www.ed.gov/news.html. For more information about LAAP and the invitation for applications, call ED at (202) 708-5750.

Distance Education Demonstration Program

In a *Federal Register* published February 4, 1999, the Department of Education (ED) published a Notice inviting schools of higher education, systems of schools, consortia of schools, and Western Governors University to submit applications for participation in the Distance Education Demonstration Program. The Distance Education Demonstration Program was authorized under section 486, Title IV of the Higher Education Act of 1965, as amended (HEA). Selected schools providing distance education programs may receive waivers of specific statutory and regulatory provisions governing the student financial assistance programs under Title IV of the HEA.

Distance Education is defined as an educational process that is characterized by the separation, in time or place, between instructor and student. This may include courses offered principally through the use of television, audio, or computer transmission, such as open broadcast, closed circuit, cable, microwave, or satellite transmission; audio or computer conferencing; videocassettes or discs; or correspondence.

Interested schools should refer to the Notice for descriptions of elements to be included in their applications. (ED is not providing an “application form” per se.) Applications should be sent to the mailing or e-mail address listed in the Notice and must be postmarked or submitted electronically on or before April 1, 1999.

Strengthening Institutions Program

ED published a Notice of Proposed Information Collection Requests in the March 9, 1999, *Federal Register* inviting applications for grants under the Strengthening Institutions Program, American Indian Tribally Controlled Colleges and Universities Program, and Alaska Native and Native Hawaiian Serving Institutions Program. The grants are for eligible higher education institutions to enable improvement in academic quality, institutional management, and fiscal stability.

Grants range in size depending on the program. Applications will be available on April 22, 1999, and will be due on May 24, 1999. ★

TG FY 1998 Annual Report Now Available

TG’s FY 1998 Annual Report, *Common Goals: Expanding Educational Opportunity*, is now available in PDF on TG’s corporate web site *TGWorks Online*. The report addresses TG’s success in expanding dedicated customer satisfaction efforts, improvements in technology and services, and expansion of those partnerships and alliances that help to make financial aid resources readily accessible to the students and families of Texas and to the schools and lenders TG serves. Detailed financial information, as well as data about TG’s loan guarantee volume and other figures relating to student loans, is also provided.

To view or print a copy of the report, visit TG’s web site at www.tgslc.org. Copies are also available by contacting TG Communications at (800) 252-9743, ext. 2878. ★

SHOPTALK

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:
Michelle Anderson, Gary Burleson, Lee Burleson, Darron Grussendorf, Nina Hold, Ken Johnson, Laura Lavergne, Trina Manor, Catherine Mueller, Kyle Smith, Steven Smith, Vickie Tanner, Jeff Webster

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SHOPTALK

Texas Guaranteed Student
Loan Corporation
P.O. Box 201725
Austin, Texas 78720-1725

Mapping Your Future Expands Services

Mapping Your Future (MYF) (mapping-your-future.org) has expanded the services offered to school financial aid offices — in particular the services offered to schools using Online Student Loan Counseling.

Financial Aid Offices

A recent addition to the web site is the Financial Aid Office Access area set aside for financial aid offices. On this page (http://mapping-your-future.org/services/fao.htm), financial aid counselors can download past issues of the Online Student Loan Counseling newsletter, retrieve information about online student loan counseling and the customization on entrance counseling, and begin customizing their school pages. Counselors are able to update school and/or contact information and retrieve entrance counseling reports at any time. Financial aid offices must request a password prior to customizing school pages or retrieving reports.

Reporting Options

In addition, schools participating in MYF's Online Student Loan Counseling now have the option of choosing to receive their student confirmations in either daily reports or in individual student reports. The option was added at the request of those schools who had many students going through the online entrance counseling session and preferred to receive messages consolidating all the student reports rather than individual e-mail messages for each student completing a session. Those selecting to receive daily reports receive two messages:

- One listing the students who have completed a session in the last 24 hours along with any pertinent information about them such as social security numbers, confirmation numbers, and the time the session was completed; and
- Another listing the students along with any messages or comments from them to be answered by the financial aid office.

School representatives can select either the daily or individual option when they complete the online counseling session, by sending an update using the school information form, or by sending a message to mapping-your-future@tgslc.org.

All schools will continue to receive the monthly batch reports (sent out the first of each month) whether they select the individual or daily reporting option.

Ideas and Questions

MYF provides career planning and financial aid information to students throughout the United States through the combined efforts of Texas Guaranteed Student Loan Corporation and 30 other guaranty agencies. Ideas for new MYF services can be addressed to Cathy Mueller by e-mail at catherine.mueller@tgslc.org or by phone at (800) 252-9743, ext. 4539. ★