TEXAS
GUARANTEED
STUDENT
LOAN
CORPORATION

SHOPTALK

EDITION 93

MAY 1999

IN THIS ISSUE:

Texas Guaranteed
Student Loan Corporation

The Student Loan Community Teams Up for 2000

Representatives from throughout the Federal Family Education Loan Program (FFELP) community teamed up recently at the Austin DoubleTree for another successful Texas Guaranteed Student Loan Corporation (TG) annual conference. "Team Up for 2000," TG's seventh annual conference, emphasized the need for teamwork and the ability to thrive through change as the Year 2000 approaches.

Information and Opportunities

By the end of the conference on Friday, April 9, over 400 attendees from throughout Texas and the United States had benefited from the informational sessions as well as the opportunity to find out what's available online and to submit ideas for improving TG's web site and solutions and tools. The attendees gave the conference a 4.65 rating on a five-point scale. Of particular interest were TG's new Electronic Subscription Service and the updates to the online versions of TG's School and Lender Fact Sheets. To find out more about these two topics, visit *TG Works Online* at www.tgslc.org.

Presenters from throughout the national, state, and regional student loan community shared their expertise during the conference sessions. In addition, TG provided training sessions for its solutions and tools, including AdvanTG™ — TG's newest loan management tool — Express Funds Transfer, Loans by Web, Loans by Phone, Report Request Distribution System, Business Network, and Online Access.

"Team Up for 2000," TG's seventh annual conference, emphasized the need for teamwork and the ability to thrive through change as the Year 2000 approaches.

Default Prevention Model Revealed

During the conference, the Council for the Management of Educational Finance (the Council) revealed its latest tool to help student loan professionals combat student loan default, a Default Prevention Model based upon the successful practices of the University of Texas Pan American (UT-Pan Am). The Council is encouraging higher education professionals to use the plan for improving default prevention strategies that can help to reduce default rates. The strategies presented in the model can be enacted as a whole, or schools can choose to enact those strategies that address their individual needs.

The Default Prevention Model is the result of efforts to document the best practices used by Arnold Trejo, UT-Pan Am Financial Aid Director, and the UT-Pan Am financial aid staff in reducing the default rate at their institution. The idea for developing the written plan for the financial aid community was one of the many action items that came out of the Default Prevention Conference hosted by the Council and TG in June 1998.

See TEAM UP on page 2.

CLOSED SCHOOL CORNER

NEWLY REPORTED CLOSURES

TG SCHOOL ID#	SCHOOL NAME	SCHOOL ADDRESS	UNOFFICIAL CLOSURE DATE	ED'S OFFICIAL CLOSURE DATE
021009000	Medical Arts Training Center	441 S. State Rd. 7, Suite 4 Margate, FL 33068	N/A	09/30/1997
021693000	Syrit College	1760 53rd St. Brooklyn, NY 11204-1500	N/A	08/31/1998

ED CLOSED DATE REVISIONS

TG SCHOOL ID#	SCHOOL NAME	SCHOOL ADDRESS	PREVIOUS ED CLOSURE DATE	REVISED OFFICIAL ED CLOSURE DATE
020926000	PTC Career Institute	50 N. 2nd St. Philadelphia, PA 19106	03/14/1994	01/05/1994

TEAM UP (Continued from page 1)

For more information about the plan or to request a copy of the Default Prevention Model, contact Jacob Fraire at (800) 252-9743, ext. 4964, or send an e-mail message to jacob.fraire@tgslc.org.

TG would like to thank everyone who helped to make the conference such a success. The contributions showed what the community can accomplish through real teamwork.

Scholarships and Computer Awarded

On the final day of the conference, TG awarded scholarships and a computer system from the funds contributed for the FAFSA Step-by-Step Teleconference held in February. The random selections were made by sponsor representatives and went to high school seniors that attended a teleconference host site and submitted a completed program evaluation sheet.

The winners and sponsors of the awards included:

- James R. Stanley, Western Hills High School in Fort Worth, randomly selected for a $250 scholarship, contributed by Commercial Bank of Texas, N.A;
- Jennifer Ann Vega, Wink High School in Wink, randomly selected for a $250 scholarship, contributed by Abilene Higher Education Authority; and
- Sheena Diane Norris, Commerce High School in Commerce, randomly selected for a computer system contributed by the Higher Education Servicing Corporation.

TG would like to thank everyone who helped to make the conference such a success. The contributions showed what the community can accomplish through real teamwork. Start planning now for the 2000 TG Annual Conference, tentatively scheduled for Monday through Wednesday, April 10 – 12, 2000.

Questions

For questions about any of the session topics or information available at the TG Conference, contact your TG Customer Service Consultant, call Customer Support at (800) 252-9743, ext. 4444, or send an e-mail message to customer.services@tgslc.org. ★

Team Up for 2000 Sponsors

TG extends a special thank you to the sponsors of the 1999 Annual Conference:

Platinum

Chase Bank
Sallie Mae
Wells Fargo Education Financial Services (formerly known as Norwest Bank)

Gold

Bank One
Educaid
Key Education Resources

Silver

ASAP/Union Bank & Trust
EFS Services, Inc.
Nellie Mae
Regions Bank
UNIPAC

Bronze

American Express
Bank of America
Brazos Higher Education Service Corporation
Citibank Student Loan Corporation
Crestar Bank
First American Bank
Guaranty Federal Bank, F.S.B.
Horizon Educational Resources, Inc.
LoanSTAR Group
Panhandle Plains Higher Education Authority
Plains National Bank
PNC Bank
Security Service Federal Credit Union
University Federal Credit Union

Texas Guaranteed Student Loan Corporation Waives Guarantee Fees

Texas Guaranteed Student Loan Corporation (TG) has implemented a waiver of its one percent guarantee fee until further notice for graduate, professional, and four-year undergraduate students. The fee is reduced to one-half percent for students at two-year institutions and will remain at one percent for proprietary school students.

> Collectively, the fee waiver will save TG borrowers approximately $11 million during the next loan guarantee cycle.

The waiver or reduction of the guarantee fee, which applies to Federal Stafford and PLUS (Parent) loans, lowers the cost to borrowers participating in the Federal Family Education Loan Program (FFELP) with a loan guaranteed by TG on or after Monday, May 10, 1999. Collectively, the fee waiver will save TG borrowers approximately $11 million during the next loan guarantee cycle.

The Higher Education Act provides for the guarantee fee to create a federal reserve that allows a guarantor to pay claims on defaulted loans. TG will continue its innovative and diligent efforts to work with borrowers and business partners to prevent loan defaults from occurring.

"The decision to waive the guarantee fee comes after much thought and research. We take our obligation to maintain the financial integrity of the FFELP seriously to assure that the program remains strong for generations to come. We have concluded that the waiver will remain in effect as long as it is feasible to do so," said Milton G. Wright, TG President and CEO.

Questions

For further information about the guarantee fee waiver, please contact Vickie Tanner, Assistant Vice President of TG Customer Services, at (800) 252-9743, ext. 4526. ★

Disbursement Reporting Guidance

The recent decision by Texas Guaranteed Student Loan Corporation (TG) to waive the one percent guarantee fee for graduate, professional, and four-year undergraduate students and to reduce the fee to one-half percent for students at two-year institutions requires no immediate changes in lender processes.

Lenders should continue to report all disbursements to TG using either the paper invoicing/reporting process or the electronic invoicing/reporting process they are currently using through tape or Connect Mailbox.

The Department of Education (ED) requires TG, and all other guaranty agencies, to report disbursement information to the National Student Loan Data System (NSLDS). TG collects this disbursement information through loan guarantee invoices that lenders and servicers complete and return with their fees. Even when lenders do not owe a guarantee fee for a loan, they should continue to submit invoices/reports to TG in order to reconcile disbursements.

TG is currently researching ways to streamline its disbursement invoicing/reporting process and will continue to update lenders and servicers as changes occur.

Questions

For questions about the invoice and disbursement reporting process, contact Mel Johnson, TG Accounting, at (800) 252-9743, ext. 4563, or send an e-mail message to acct.loan@tgslc.org. For questions about NSLDS reporting, contact Kay Morgan, Assistant Vice President, TG NSLDS, at ext. 4570, or send an e-mail message to kay.morgan@tgslc.org. ★

Federal Register: Final Rule

The Department of Education published corrections and other technical changes to the final regulations for the Federal Family Education Loan Program in 34 CFR Part 682 in the *Federal Register* on April 16, 1999. These corrections to regulations incorporate self-implementing statutory changes made to the Higher Education Act, as amended, by the Higher Education Amendments of 1992, the Omnibus Budget Reconciliation Act of 1993, and the Higher Education Technical Amendments of 1993.

These regulations do not implement the Higher Education Amendments of 1998. Those amendments will be addressed by other regulations as needed. However, some technical changes have been modified to ensure that they do not conflict with the 1998 amendments.

The integrated regulations can be found on *TG Works Online* at www.tgslc.org. Details regarding the corrections and technical changes will be outlined in the June 1999 edition of *Shoptalk*. ★

"Team Up for 2000" Y2K Panel Discussion Summary

The interdependent environment and open communication of the Federal Family Education Loan Program (FFELP) make it necessary and possible for the student loan community to work together to address the Y2K issue. Continuing to facilitate those cooperative efforts, Texas Guaranteed Student Loan Corporation (TG) recently hosted a Panel Discussion on Y2K Contingency Planning at TG's Annual Conference, "Team Up for 2000."

…solutions might not exist for every problem. Some things will be out of everyone's hands. The key is to have plans in place for what can be controlled.

The discussion provided another opportunity for industry representatives to come together to discuss their efforts to minimize the effect of potential Y2K failures through contingency planning. Representing the FFELP's various sectors, panel participants included Mary Haldane, Department of Education (ED); Lance Teinert, LoanSTAR Group; Mark Voegele, UNIPAC; and Charles Lee, TG Information Technology.

Outreach, assessment, and awareness were Mary Haldane's focus points. Ms. Haldane encouraged schools, lenders, and guarantors to establish a detailed procedures manual to outline responsibilities in case of a Y2K failure. She also advised that ED would continue to participate in focus groups and conferences in order to share ideas on Year 2000 preparedness. More details about ED's Y2K efforts, including ED's Business Continuity and Contingency Planning for Year 2000, can be found at www.ed.gov.

Lance Teinert focused on ways to mitigate risk and provide alternative processes. Mr. Teinert suggested several ways to reduce the likelihood of risk from the Y2K challenge:

- Incorporate a Y2K contingency plan into the organization's master recovery plan;
- Create procedures for manual backup of automated processes;
- Exchange data and money, if necessary, prior to any potential date failures (i.e., before January 1, 2000); and
- Test sufficiently.

Questions that helped the LoanSTAR Group identify alternative processes were:

- What if loan guarantee systems or components are down?
- What if Lender Manifest cannot produce electronic reporting?
- What if ED cannot accept the 799?

"It is *not* an option to not have options," said Mark Voegele during his presentation. He stressed, though, that solutions might not exist for every problem. Some things will be out of everyone's hands. The key is to have plans in place for what can be controlled.

Charles Lee presented an overview of TG's contingency planning efforts. TG is focusing on its mission-critical business processes, including Loan Guarantee Processing, National Student Loan Data System, Default Prevention, Claims, and Collections.

The planning involves four phases:

- Initiation,
- Risk Assessment,
- Contingency Plan Development, and
- Implementation Readiness.

This Y2K panel discussion was yet another example of the efforts of TG and its student loan community business partners to work together toward Y2K readiness. More information about TG's testing plan can be found on *TG Works Online* at www.tgslc.org. ★

AdvanTG™ Y2K Pilot Test Results

TG has completed a pilot Year 2000 test of its AdvanTG™ product. With help from the University of Texas at Austin (UT), TG's testing of AdvanTG was successful.

Briefly summarized, UT set its mainframe testing system two years ahead of the current date and, using actual borrower information, aged its data. With TG aging the same data, three successful end-to-end tests were completed.

More information about TG's testing efforts can be found on TG's Systems Development Project web page on *TG Works Online* at www.tgslc.org/tgslc/sdp/sdp_customer.htm. ★

Exit Customization Now Available on *Mapping Your Future*

Financial aid professionals can now present school-specific information to their students using *Mapping Your Future*'s (MYF) Online Student Loan Counseling — both Entrance and Exit Counseling. This option has been available on MYF's Entrance Counseling for the past six months and is now available on Exit Counseling.

The Online Student Loan Counseling sessions offered by the site prepare students for proper management of their Federal Family Education Loan Program (FFELP) loans and provide important default prevention information, helping them make the most of their higher education.

Customized Page Option

Schools can create their own customized page of information for students to view at the beginning of their online entrance or exit counseling session. This option is especially useful for those schools needing to provide average indebtedness information to students during exit counseling.

Since it was introduced, online counseling has grown in popularity and value with financial aid offices and students. The customization option allows a higher quality of service by providing important school-specific information to students and by allowing the school to be more involved in the entire online counseling process. Schools can remind students of important dates, disbursement procedures, refund policies, etc.

As often as desired, schools can create and update their custom school information page with an easy to use text submission process on the MYF web site.

Creating a Customized Page

To create a customized page for either entrance or exit counseling, a financial aid professional should request a user name and password by sending a message to mapping-your-future@tgslc.org. The financial aid professional should then go to a special section of the MYF web site (http://mapping-your-future.org/services/fao.htm) to create their customized pages. This section of the web site contains instructions on how to complete the customized page as well as other information of interest to financial aid professionals.

Information about MYF

MYF is a public service web site providing college, career, and financial aid information and services for students and families. The site is sponsored by Texas Guaranteed Student Loan Corporation and over 30 other guaranty agencies from throughout the United States. For more information about MYF's Online Student Loan Counseling, contact Catherine Mueller at cathy.mueller@tgslc.org or (800)252-9743, ext. 4539. ★

Special E-Mail Address in LGO for MYF Exit Interviews

Schools can now send *Mapping Your Future* (MYF) exit interviews to Texas Guaranteed Student Loan Corporation (TG) Loan Guarantee Operations (LGO) electronically by forwarding the Exit Counseling Confirmation message to LGO's special e-mail address created just for exit interview delivery myf.exits@tgslc.org. TG developed this new e-mail address to make the exit counseling process even more convenient for schools. You should continue to send all other LGO e-mail correspondence to LGO's existing e-mail address, lgo.helps@tgslc.org.

As many of you know, the MYF web site provides Online Student Loan Counseling services. Upon a student's completion of the online counseling, participating schools receive an Exit Counseling Confirmation e-mail message from MYF providing notification that the student has successfully completed the counseling session. Schools should forward each exit interview to the guarantor within 60 days of its completion as specified in 34 CFR 682.604(g).

LGO will process exit interviews for students who have loans guaranteed by TG. We process exit interviews in the order in which they are received and, generally, within 30 days. If LGO determines that the student does not have a loan guaranteed by TG, the exit interview will be returned to the school. Be sure to include the student's Social Security Number in the subject line of your e-mail to assist LGO with proper identification.

Questions

Schools that would like to participate in MYF's student loan exit counseling can sign up online by visiting www.mapping-your-future.org. For questions or comments regarding this new service, contact Kyle Smith, Assistant Vice President, LGO, at (800) 252-9743, ext. 4894, or send an e-mail message to kyle.smith@tgslc.org. ★

TG's New Notice of Guarantee/Disclosure Statement

Texas Guaranteed Student Loan Corporation's (TG) Federal Stafford Loan Notice of Guarantee/Disclosure Statement (NOG) is changing in conjunction with implementation of the Master Promissory Note (MPN). AdvanTG™ version 2.2 will facilitate the printing of the new Stafford NOG.

TG will produce the same NOG for all Stafford loans regardless of whether the common Stafford application or the MPN is used by the borrower. Lenders and servicers can continue to use the NOG to fulfill borrower loan disclosure requirements. It will contain all of the necessary elements lenders are required to disclose to their borrowers prior to or at the time of first disbursement. However, as in the past, TG will provide the cumulative indebtedness for all of the loans the borrower has guaranteed with TG. The Higher Education Act requires lenders to disclose the cumulative amount of loans the borrower has with the lender. Lenders using TG's NOG for disclosure are responsible for correcting or supplementing the disclosure to meet the statutory requirement for this field.

During Negotiated Rulemaking, negotiators have agreed to revise the regulations covering disclosure to clarify which disclosures are covered in the approved common forms, which must be covered in the initial disclosure, and which must be covered in the repayment disclosure. Proposed regulatory language to clarify disclosure responsibilities is forthcoming.

Enhancement Highlights

The following enhancements cover issues related to using the MPN, as well as suggestions from TG customers and items agreed to in Negotiated Rulemaking. Several additions were made based on input the MPN Task Force gathered from the community during MPN development:

- Instructions for canceling or reducing a loan.
- Notification that laws and regulations may have changed since the signing of the Note and that such information will be disclosed to the borrower on the disclosure or separately.
- Request for reference update.
- Message clarifying that the interest rate is the current rate as of the date of guarantee.
- TG's name and guarantor identification number added to Borrower Information.
- Borrower grade level added to Loan Information.
- TG's toll free number.
- Instructions on estimating monthly payments.

Revised and Reprinted (Duplicate) NOGs

Currently lenders and servicers can request revised and reprinted NOGs in various situations. Depending on when the loan was guaranteed and when the lender requests a revision or "reprint," the statutory interest rate and/or interest rate formula may have changed and the total amount guaranteed by TG may have changed since the original guarantee date. Referring to reprinted NOGs as a "duplicate" is not an accurate description of this type of request. Therefore, TG will eliminate the "D" indicator for "duplicate" currently printed directly on the NOG. Instead TG will print "Q" on what was previously referred to as the "duplicate" NOG. The new "Q" indicator stands for NOG "request." "Revised" NOGs will continue to print with the "R" indicator.

New Interest Rate Addendum for Lenders and Servicers

With implementation of the new Stafford NOG, the Interest Rate message will be the same as that printed on a new, revised, and reprinted NOG. To assist lenders and servicers in disclosing accurate interest rate information to their borrowers, TG will offer a new Interest Rate Addendum that can be sent to the borrower by the lender or servicer showing historical interest rates over time. A revised NOG can be sent to the borrower with the Addendum to disclose the correct interest rate message and interest rate formula as of the date of guarantee. The new Interest Rate Addendum will be available in PDF format in the AdvanTG version 2.2 CD and TG's corporate web site, *TG Works Online*, at www.tgslc.org.

New Federal PLUS Loan Notice of Guarantee on the Horizon

TG is currently enhancing the Federal PLUS Loan Notice of Guarantee/Disclosure (NOG). The new PLUS NOG will be made available sometime this fall. Of special interest to lenders and servicers is the complete replacement of the Messages section. Because of the number and length of required disclosures, TG can no longer continue to include a place for lenders to indicate payment information. This may create the need for lenders to modify programs or to develop new procedures.

Please see samples of the new Stafford and PLUS NOGs included in this *Shoptalk* to determine how they will fit into your existing processes.

Questions

For questions about the new Stafford or PLUS loan NOGs, contact Kyle Smith, Assistant Vice President, Loan Guarantee Operations, at (800) 252-9743, ext. 4894, or send an e-mail message to kyle.smith@tgslc.org. ★

COMMON MANUAL UPDATES

INFORMATION ON REVISIONS TO THE COMMON MANUAL

Proration Requirements Modified

Provisions of the Higher Education Amendments of 1998 remove the *specific* prorated Stafford loan limits applicable to any first and second year undergraduate student whose program, or remainder of the program, is less than one academic year.

To incorporate the statutory changes, the base Stafford loan limits (subsidized and unsubsidized) for first and second year undergraduate students whose program, or remainder of the student's program, is less than one academic year have been removed from subsection 5.7.H. The *Common Manual* has been revised to specify that the loan amounts for these students are now determined by using the ratio of the student's program or remainder of the student's program (as measured in credit or clock hours) to a full academic year and multiplying that ratio by the applicable annual loan limit for a full academic year.

The "Stafford Annual Loan Limits" table in subsection 5.7.H. has been revised to reflect this change, which is effective for loan applications certified by the school on or after October 1, 1998.

Multiple Disbursement Exemptions

Federal statute and regulations have imposed multiple disbursement requirements on schools and lenders for a number of years. Reauthorization provisions from October 1998 create two new exemptions from these requirements for schools with exceptionally low cohort default rates:

- A school with a cohort default rate of less than 10% for each of the 3 most recent fiscal years for which information is available may schedule loans to be disbursed in single installments, if the loan is for a period of enrollment that is not more than a single semester, trimester, quarter, or for a school without standard terms, not more than 4 months.
- A loan made to a student enrolled in a study-abroad program may be made in a single disbursement if the eligible school at which the student will receive course credit for the study-abroad program has a cohort default rate of less than 5%.

These exceptions are applicable during the period beginning on or after October 1, 1998 and ending prior to September 30, 2002. *Common Manual* subsections 5.8.D., 6.2.A., and 6.2.B. have been revised to reflect the exemptions.

Delayed Delivery Exemptions

Under the 1998 Reauthorization, schools with cohort default rates of less than 10% for each of the 3 most recent fiscal years for which data is available are now exempt from delayed delivery provisions. The provisions, which remain in effect for all other schools, require that a school delay the delivery of loan funds to first-year undergraduates who have not borrowed Stafford or SLS loans until the 31st day of the student's first payment period.

This change is effective during the period beginning on or after October 1, 1998 and ending prior to September 30, 2002. Revisions have been made to subsections 5.8.D., 6.2.A., 6.3.E., 6.3.I., A.1.B., and appendix G of the *Common Manual*.

Extended Repayment Schedule Terms

The 1998 Reauthorization requires lenders to offer an extended repayment schedule of up to 25 years to new borrowers with loans first disbursed on or after October 7, 1998, who accumulate outstanding FFELP loans totaling more than $30,000. This extended schedule must comply with the statutory minimum annual payment amount of $600.

In addition, all FFELP borrowers — regardless of the date on which their first funds were disbursed or their outstanding indebtedness — are permitted to change their selection of repayment schedule annually. Statute requires lenders to comply with an eligible borrower's request at least once every 12 months.

Subsections 7.6.C., 7.6.D., and 7.6.E. of the *Common Manual* have been revised to reflect these changes. The provision permitting a borrower to revise his or her repayment schedule at least once every 12 months is effective for borrower requests received by the lender on or after October 1, 1998. The addition of the new extended repayment schedule is effective for new borrowers with loans first disbursed on or after October 7, 1998.

Plan for Doing Business

Current *Common Manual* policy requires lending and purchasing programs of a governmental entity or nonprofit organization that makes or purchases FFELP loans with tax-exempt obligations to be audited for compliance with its Plan for Doing Business.

The Higher Education Amendments of 1998, eliminated the requirement for a Plan for Doing Business and the associated audits. The audit requirements of the Plan for Doing Business have been removed from subsection 3.8.C. of the *Common Manual*. In addition, subsections 3.8.A., 3.8.B., and 3.8.C. have been merged into subsection 3.8.A. to eliminate any misconception that three separate audits are required.

This change is effective retroactively to the date a lender's Plan for Doing Business was approved by the Secretary or Governor. In addition, lenders may not pursue any action against the Secretary for any amounts paid or offset by the Secretary based on a final settlement agreement that was entered into prior to July 1, 1998 and that resolves any audit or program review violations that were identified based on provisions in effect at the time of the audit.

Military Extension of the Grace Period

The Higher Education Amendments of 1998 provide that a Stafford borrower with a

See *COMMON MANUAL* UPDATES on page 8.

loan in a grace period, or with a loan in an in-school status that would subsequently enter a grace period, who is called or ordered to active duty, is entitled to a military extension of the grace period for a period not to exceed 3 years. To qualify for this extension, the borrower must be called or ordered to active duty, on or after October 1, 1998, from a reserve component of the U.S. Armed Forces for a period in excess of 30 days. The maximum 3-year military extension includes the time period necessary for a borrower to resume enrollment at the next available and regular, scheduled enrollment period.

If the borrower resumes at least half-time enrollment at the end of the military extension, the borrower is entitled to a new grace period at the end of the in-school period. If the borrower does not resume at least half-time enrollment, the borrower is entitled to a new grace period at the end of the military extension.

Interest that accrues during the military extension is paid by the Department for subsidized Stafford loans. Interest accruing on unsubsidized Stafford loans is the responsibility of the borrower.

Lenders are reminded that if the borrower is in repayment, deferment, or forbearance when he or she is called or ordered to active duty, the borrower may be eligible for a military deferment or a mandatory administrative forbearance (see subsection 7.10.G. or 7.11.D., respectively, for more information).

This change is effective for Stafford borrowers with loans in grace periods or with loans in an in-school status that would subsequently enter grace periods, who are called or ordered, on or after October 1, 1998, from a reserve component of the U.S. Armed Forces to active duty for a period in excess of 30 days. Section 7.2 of the *Common Manual* has been revised to reflect this change and subsection 7.10.G. has been revised to add a cross-reference to section 7.2.

In-School Deferment Eligibility Criteria Modified

The Higher Education Amendments of 1998 removed the requirement that a new borrower from July 1, 1987 to June 30, 1993 obtain a new loan for the enrollment period that is to be covered by an in-school deferment for half-time enrollment. *Common Manual* subsection 7.10.A. and the “Deferment Eligibility Chart” contained in section 7.10 have been revised to remove this obsolete requirement.

In addition, the “Deferment Eligibility Chart” in section 7.10 has been revised to remove information that addresses interest subsidy of Consolidation loans. This information is already addressed in other sections of the *Common Manual*.

These changes are effective for in-school deferments granted by the lender on or after October 1, 1998.

In-School Deferment Documentation Requirements Modified

The *Common Manual* currently requires that, prior to the granting of an in-school deferment, the lender must receive a written or verbal request from a borrower — or, as applicable, the dependent student — along with supporting documentation from the school. To align the manual with the Higher Education Amendments of 1998, the in-school deferment requirements have been modified.

Under the new provisions, the lender must determine the eligibility of a borrower — or, as applicable, the dependent student — for an in-school deferment based upon the receipt of any one of the following:

- A written or verbal request for deferment from the borrower and documentation of the borrower’s eligibility for the deferment.
- A newly completed loan application that documents the borrower’s eligibility for a deferment.
- Student status information received by the lender indicating that the borrower is enrolled at least half-time.

The deferment should be granted through the eligible student’s anticipated graduation date. If an in-school deferment is granted by the lender based upon a newly completed loan application or the receipt of student status information and, in either case, the borrower has not requested the deferment, the lender must notify the borrower of the in-school deferment and of the option to continue paying on the loan.

Subsection 7.10.A. has been revised to reflect this modification, which is effective for in-school deferments granted by the lender on or after October 1, 1998.

New Administrative Forbearance Type Added

Common Manual subsection 7.11.B. has been revised to incorporate a new administrative forbearance type authorized by the Higher Education Amendments of 1998.

The lender may now grant a forbearance for a period not to exceed 60 days if the lender determines it is warranted in order to collect or process supporting documentation following a borrower’s request for deferment, forbearance, a change in repayment plan, or loan consolidation. If such supporting documentation is not received within 60 days, the lender must resume servicing activities on the 61st day.

The lender must not capitalize interest that accrues on the borrower’s loan during this period of administrative forbearance unless the lender receives documentation or information that results in the granting of a deferment or other forbearance type that would be concurrent with this period in which case capitalization is permitted.

See *COMMON MANUAL* UPDATES on page 9.

These changes are effective for administrative forbearance granted by the lender on or after October 1, 1998.

Mandatory Forbearance for Loan Forgiveness Programs

The Higher Education Amendments of 1998 eliminate the Stafford Loan Forgiveness Demonstration Program, which was never funded, and introduces the Loan Forgiveness Demonstration Program for Child Care Providers. Current language addressing the eligibility of a borrower for a mandatory forbearance for his or her participation in the Stafford Loan Forgiveness Demonstration Program has been removed. The manual has been revised to require that a lender grant forbearance to any borrower participating in the Loan Forgiveness Demonstration Program for Child Care Providers, provided the program is funded.

Subsection 7.11.C. of the *Common Manual* has been revised to reflect this change, which is effective for mandatory forbearance granted on or after October 7, 1998, provided the Loan Forgiveness Demonstration Program for Child Care Providers is funded.

Loan Forgiveness Program for Teachers

The Higher Education Amendments of 1998 eliminated the Stafford Loan Demonstration Forgiveness Program and implemented the Loan Forgiveness Program for Teachers, which is intended to encourage individuals to enter and continue in the teaching profession. Under this program, the Department repays a portion of a borrower's Stafford loan obligations. In order to be eligible for this forgiveness program, the following criteria must be met:

- The borrower must be a "new borrower" on or after October 1, 1998. (A new borrower is defined as a borrower who has no outstanding balance on a FFELP loan at the time he or she signs a promissory note for a FFELP loan.)
- The borrower must have been employed as a full-time teacher for 5 consecutive, complete school and academic years in a school that qualifies — in at least one of the 5 years of service — for loan cancellation for Perkins Loan recipients who teach in such schools. Each borrower must meet one of the following criteria:
  - If employed as an elementary school teacher, the borrower must have demonstrated knowledge and teaching skills in reading, writing, mathematics, and other areas of the school's curriculum, as certified by the chief administrative officer of the school in which the borrower is employed.
  - If employed as a secondary school teacher, the borrower must be teaching a subject which is relevant to the borrower's academic major, as certified by the chief administrative officer of the secondary school in which the borrower is employed.
- The borrower must not be in default on a loan for which the borrower seeks forgiveness.

The Department will repay, on behalf of a qualified borrower, no more than $5,000 of the borrower's outstanding Stafford loan balances (or the outstanding portion of a Consolidation loan used to repay qualifying Stafford loans) at the end of the 5th complete year of teaching. Receipt of a benefit under this program does not entitle the borrower to a refund of any payments made on the loan.

No borrower may, for the same service, receive a benefit under both the Loan Forgiveness Program for Teachers and subtitle D of Title I of the National and Community Service Act of 1990. In addition, the borrower may not receive this benefit under both the FFELP and the FDLP.

As of this printing, processes and procedures for applying for loan forgiveness have not been defined, but are being addressed by the community in its discussions with the Department.

The Department is authorized to issue regulations, as necessary, to carry out the provisions of this section. These changes are effective for new borrowers on or after October 1, 1998. Section 7.14 of the *Common Manual* has been revised to reflect these changes.

Loan Forgiveness Demonstration Program for Child Care Providers

The Higher Education Amendments of 1998 authorized a new loan forgiveness demonstration program. The Loan Forgiveness Demonstration Program for Child Care Providers is intended to bring more highly trained individuals into the early child care profession and to retain those providers for longer periods of time. Under this demonstration program, the Department would repay up to 100% of a borrower's Stafford loan obligations. For the purpose of this program, the term "child care services" is defined as activities and services provided for the education and care of children from birth through age 5.

If the program is implemented, the borrower must meet the following criteria to qualify for this forgiveness program:

- The borrower must be a "new borrower" on or after October 8, 1998 (a new borrower is defined as a borrower who has no outstanding balance on a FFELP loan at the time he or she signs a promissory note for a FFELP loan).
- The borrower must complete a degree in early childhood education. This field is defined as education in the

See *COMMON MANUAL* UPDATES on page 10.

areas of early child education, child care, or any other educational area related to child care that the Department determines to be appropriate.

- The borrower must obtain employment in a child care facility, defined as a facility, including a home, that provides child care services and meets the applicable state or local government licensing, certification, approval, or registration requirements, if any.
- The borrower must work full-time as a child care provider for the 2 consecutive and immediately preceding years in a low-income community, defined as a community in which 70% of households within the community earn less than 85% of the state's median household income.

If the borrower qualifies, the Department will pay — on a first-come, first-served basis subject to the availability of funds — a percentage of the total amount of all eligible loans (excluding PLUS and Consolidation loans) at the rate of:

- 20% after completion of the 2nd year
- 20% after completion of the 3rd year
- 30% after completion of the 4th year
- 30% after completion of the 5th year

The Department will also pay a proportionate amount of the interest that accrues each year.

If an individual not participating in this program returns to school, after initially graduating from school, to obtain an associate or baccalaureate degree in early childhood education, the student may apply to the Department for repayment under this forgiveness program of qualified loans received for a maximum of 2 academic years when the student returned to school. Repayment by the Department will be made in accordance with the preceding rate schedule.

The Department will give loan repayment priority to borrowers who received forgiveness in the prior year. No borrower may, for the same service, receive a benefit under both this Loan Forgiveness Program for Child Care Providers and subtitle D of title 1 of the National and Community Service Act of 1990.

Qualified borrowers may request loan forgiveness at the end of each year of eligible child care employment by completing an application as required by the Department. During the period of eligible employment, a borrower shall receive a forbearance unless the borrower qualifies for a deferment. Receipt of a benefit under this program does not entitle the borrower to a refund of payments made on the loan. (HEA 428K)

As of this printing, processes and procedures for applying for loan forgiveness have not been defined, but are being addressed by the community in its discussions with the Department.

These changes are effective for new borrowers on or after October 8, 1998, provided the program is funded. A new section 7.15, reflecting the preceding language has been added to the *Common Manual*. ★

LGO Announces New Fax Number

As part of a continuing effort to provide optimal customer service, Texas Guaranteed Student Loan Corporation's (TG) Loan Guarantee Operations (LGO) is taking advantage of a new internal fax management tool that will allow more efficient monitoring of fax turnaround time.

LGO encourages you to begin using the new fax number, (512) 336-4777, which is part of a new software tool called Fax Senior designed to improve efficiency. The software integrates imaging technology with desktop applications and allows your LGO fax requests to appear as e-mail messages to LGO team members, providing immediate access to your fax requests. (The new fax number will supplement the fax number you have been using to contact LGO. Faxes sent to LGO using that number will continue to be processed in the usual manner.)

Questions

For questions concerning the new fax number or Fax Senior, contact Nancy Miller, LGO Assistant Manager, at (800) 252-9743, ext. 4774, or send an e-mail message to lgo.helps@tgslc.org. ★

Revisions to the *Common Manual*

The fifth revision of the *Common Manual* will be ready for distribution to Texas Guaranteed Student Loan Corporation participating schools and lenders on July 1, 1999. The updated *Common Manual* will include all policy changes and enhancements approved by the Governing Board through April 1999, and will include regulatory changes that are effective July 1, 1999.

Diskettes for the electronic version of the *Common Manual* will be distributed in July 1999. The version of the NCHELP CD ROM that will contain the updated *Common Manual* is scheduled for release in Fall 1999. ★

Understanding Veterans Benefits and Estimated Financial Assistance

The Departments of Defense, Transportation, and Veterans Affairs issued a joint Final Rule in the *Federal Register* of May 14, 1999, raising the level of support members of the military Selected Reserve will receive under the Montgomery GI Bill — Selected Reserve (MGIB-SR).

Full-time members of the Selected Reserve who are eligible for MGIB-SR benefits will receive $251 per month in educational benefits for the period of September 30, 1998, through September 30, 1999. Selected Reservists enrolled less than full-time will receive a prorated amount. A copy of the *Federal Register* can be found at the Government Printing Office site at www.access.gpo.gov/su_docs/aces/aces140.html.

Under Title IV Student Financial Assistance rules, veterans benefits are generally considered Estimated Financial Assistance (EFA) for need analysis purposes. The MGIB-SR benefits would fall in this category.

However, benefits under the MGIB — Active Duty (as opposed to the MGIB-SR) program *are not* counted as EFA for subsidized Federal Stafford loans.

MGIB benefits for veterans of active duty service were excluded from EFA for subsidized Stafford loans with the passage of the Higher Education Amendments of 1998. National service education awards and post-service benefits under the National and Community Service Act were also excluded from EFA for subsidized Stafford loans, yet such awards and benefits are considered EFA for other federal student aid programs, including unsubsidized Stafford loans.

(There are discussions in negotiated rulemaking, currently underway in Washington, to offset a student's EFA for campus-based programs by reducing the amount of the student's MGIB — Active Duty and Community Service Act benefits by the amount of his or her subsidized Stafford loan.)

Effective October 1, 1998, schools are no longer required to submit the amount of the student's Estimated Financial Assistance to the lender or guarantor when certifying a Stafford loan. However, schools should retain documentation of the EFA in the student's file, especially when the EFA differs among Title IV programs as it may for students with MGIB — Active Duty benefits or National and Community Service Act benefits.

Questions

For questions concerning veterans benefits and EFA, contact TG Customer Support at (800) 252-9743, ext. 4444, or send an e-mail message to customer.services@tgslc.org. ★

Disaster Data

The Department of Education (ED) published several notices about areas that the Federal Emergency Management Agency (FEMA) 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
04/03/99 – 04/07/99	99-07	Louisiana	Tornadoes and flooding
04/15/99	99-08	Georgia	Tornadoes
04/03/99	99-09	Missouri	Flooding and severe storms
05/03/99 – 05/04/99	99-10	Oklahoma	Tornadoes
05/03/99 – 05/04/99	99-11	Kansas	Tornadoes
05/04/99	99-12	Texas*	Tornadoes
04/03/99	99-13	Missouri	Flooding and severe storms
05/03/99 – 05/04/99	99-14	Oklahoma	Tornadoes
05/05/99	99-15	Tennessee	Tornadoes and flooding

**FEMA designated Bowie county in Texas to be a disaster area because of tornadoes that occurred May 4.* ★

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

Shoptalk is published by Texas Guaranteed Student Loan Corporation (TG). Unless specifically noted, the policies and procedures outlined in *Shoptalk* apply only to loans made under TG's guarantee and not to loans underwritten by other guarantors.

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, Michelle Enriquez, Valerie Gonzalez, Darron Grussendorf, Margery Harvey, Nina Hold, Dianne Ivy, Laura Lavergne, Nancy Miller, Kay Morgan, Catherine Mueller, Kyle Smith, Steven Smith, Vickie Tanner, Alicia Terry, Lynn Wilson

Edited and designed by TG Communications.

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

SHOPTALK

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

Upcoming AdvanTG™ Training Sessions

Texas Guaranteed Student Loan Corporation (TG) Customer Services has planned a series of training sessions to help lenders and schools obtain the greatest benefit from recent regulatory changes and corresponding upgrades to TG's student loan process tools to help you work efficiently.

The following discussion topics will be included in the training:

- **Cohort Default Rate — Using TG's Tools:** the use of the Electronic School Reports, Default Management Report, and Lender/Servicer Cohort Default Rate Report;
- **AdvanTG™ 102 Tips**
- **AdvanTG 2.2 — Hold/Release:** recent changes relating to disbursement dates (commonly referred to as 3/10/10); and
- **Master Promissory Note (MPN) for 2000:** regulations and implementation information;
- **AdvanTG 2.1 — MPN:** an overview of new AdvanTG screens;
- **Online Access:** updates on the MPN and its capabilities.

Classes will take place from 9 a.m. to 4 p.m. at the following locations on the dates indicated:

- **Dallas, June 4** — Collin County Community College;
- **Houston, June 18** — Houston Community College — Southwest;
- **Lubbock, June 24** — Texas Tech Health Science Center;
- **San Angelo, June 25** — UT San Angelo — Downtown Campus;
- **Laredo, June 30** — Texas A&M International University;
- **El Paso, July 8** — UT El Paso.

TG would like to encourage any and all lender and school personnel who work directly with the operations of the student loan industry to attend one of the training sessions. To register for training in your area, please contact Cheryl McAuliffe at (800) 252-9743, ext. 4573. Visit *TG Works Online* at www.tgslc.org/tgslc/news.htm for additional details. ★

Subscribe Now

Texas Guaranteed Student Loan Corporation (TG) is excited to offer you a new tool that brings information you need straight to your desktop.

The Electronic Subscription Service provides detailed messages to subscribers with links to *Shoptalk* updates, individual articles in the latest issues of *Shoptalk*, *TG Connection*, and TG's *Legislative Report*, as well as updates to other pertinent information.

To add your name to the list of electronic subscribers, visit *TG Works Online* at www-tgslc.org and click on "Subscribe to Electronic Publications." It's that easy! ★

TEXAS GUARANTEED STUDENT LOAN CORPORATION

Federal Stafford Loan Notice of Guarantee/Disclosure Statement

This is a loan that must be repaid.

If you have any questions regarding this disclosure, contact your lender immediately. If you want to cancel or reduce the amount of this loan, see the instructions below or contact your lender immediately.

Borrower Information

Loan No.

Guarantor Texas Guaranteed Student Loan Corp., ID 748

Name

Phone

Address

City State Zip

Lender Information

I.D.

Name

Phone

Address

City State Zip

Loan Information

Loan Amount Loan Type

Loan Period From To

Grade Level

Guarantee Date Guarantee Fee %

Graduation Date Origination Fee %

Interest Rate % **

Grace Period Months

**This is a variable rate which may change each July 1. The interest rate shown is the rate in effect at the time of guarantee.

School Information

I.D. Phone

Name

Address

City State Zip

Disbursement Schedule

Disbursements	Estimated Date(s)	Loan Amount(s)	Guarantee Fee(s)	Origination Fee(s)	Disb Amount(s)
First					
Second					
Third					
Fourth					

Messages

This disclosure statement identifies terms for your Federal Stafford loan. Laws and regulations governing the Federal Stafford Loan program may have changed since you signed your Promissory Note ("Note") or since you obtained your last loan. Any such changes will be communicated to you on this disclosure statement or separately and will become a part of the terms and conditions of this loan.

Interest Rate - For Stafford loans first disbursed on or after July 1, 1998, the interest rate is variable and is based on the bond equivalent rate of the 91-day Treasury Bill auctioned just prior to June 1, with the following additions: 1.7 percent during in-school grace, and deferment periods; and 2.3 percent during repayment. The rate will not exceed 8.25 percent.

Instructions for Canceling or Reducing Your Loan - Your loan funds will be disbursed by check, Master Check, or Electronic Funds Transfer (EFT). Your lender will wire or mail your funds to your school. Your school will notify you when they receive your money. If your funds are sent by check, you have the right to refuse to endorse your loan check(s) and return it to the lender or have your school return to the lender all or any portion of your loan proceeds. If your funds are sent by EFT or Master Check, your school will notify you when the funds are received and deposit the funds into your account at the school. If you don't want some or all of the funds, notify your school and/or lender immediately.

Reference Update - Contact your lender immediately with any address change for the references you provided when you completed your Note.

Release of Proceeds - The disbursement date is the earliest date the lender will send money to your school. Your school will release your money shortly following the date the school receives the money from the lender. Release of proceeds to you is subject to your continued eligibility to receive the loan.

Guarantee Notice

This loan, exclusive of any modification made by the lender or borrower unless specifically approved in writing by Texas Guaranteed Student Loan Corporation (TG) identification number 748, is guaranteed by TG under the terms of its agreement to guarantee loans as amended from time to time. For additional loan information contact your lender at the phone number above or TG at (800) 845-6267.

The total amount guaranteed for you by TG including this loan is . This amount includes all the Federal Stafford, SLS, PLUS, and Consolidation loans now guaranteed by TG but not the amount you may owe through other loan programs or other guarantors. Your estimated outstanding balance may not include cancellations or payments on your loans. To estimate your monthly payments, use the charts in the Rights and Responsibilities section of your Promissory Note materials or visit TG's website at www.adventuresineducation.org

Rev. 4/99