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TG Selected for Negotiations to Implement VFA

On February 1, 2000, the U.S. Secretary of Education announced that Texas Guaranteed Student Loan Corporation (TG) is one of six guaranty agencies selected for negotiations for implementing its Voluntary Flexible Agreement (VFA).

TG's VFA is designed to promote exceptional service to its customers and business partners... in the Federal Family Education Loan Program (FFELP).

TG's VFA is designed to promote exceptional service to its customers and business partners (i.e., families, students, schools, lenders, servicers, secondary markets, and the Department of Education) in the Federal Family Education Loan Program (FFELP). It is performance-based and places the financial focus on activities that offer the most value to all partners in providing families and students with financial access to higher education and related services.

TG was the first guarantor to proactively share its proposal with the public by making it available online at the time it was submitted. TG encourages the student loan community to study and comment on its VFA proposal which is available on *TGWorks Online* (www.tgslc.org) under "Schools and Lenders."

"Under our VFA, TG's performance can be objectively quantified and measured. It allows for uniform participation that does not prohibit or restrict the ability of borrowers to select lenders of their choosing, and it can also be easily transferred to other guaranty agencies upon completion of the initial VFA period. The simplicity of implementation should have minimal impact to the systems and processes of ED and other FFELP partners allowing for swift implementation. The focus is more on delinquency and default prevention than that of collection after a student defaults on his or her student loan," said Milt Wright, TG President and CEO.

Mr. Wright also stated that the proposal has been discussed with TG's Lender and School Advisory Committees, which support the proposal, as well as numerous lenders, servicers, and schools, all of which "...reacted most favorably to the proposal."

TG was one of nine agencies to submit a proposal at the end of August 1999. Eight of those agencies, including TG, made oral presentations to ED in September and October.

Questions and Comments

For questions or comments about TG's VFA, contact James Patterson at (800) 252-9743, ext. 4611, or send an e-mail message to james.patterson@tgslc.org. ★



CLOSED SCHOOL CORNER

NEWLY REPORTED CLOSURES

TG SCHOOL ID#	SCHOOL NAME	SCHOOL ADDRESS	PREVIOUS ED CLOSURE DATE	REVISED OFFICIAL ED CLOSURE DATE
001248000	Northrop University	5800 W. Arbor Vitae Los Angeles, CA 90045-4734	N/A	02/01/1992
023070000	Ross Medical Education Center	22293 Eureka Rd. Taylor, MI 48180-5291	N/A	12/31/1999
001899000	Westmar University	1002 Third Ave. SE Le Mars, IA 51031-2699	N/A	12/31/1997

Draft Cohort Default Rates

The U.S. Department of Education (ED) planned to mail all schools their fiscal year (FY) 1998 draft cohort default rates on February 15, 2000. 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 has extended from 30 to 45 days the review period during which a school may submit a challenge of the draft cohort rates to guaranty agencies based on allegations of erroneous data. In addition, ED provides

schools 30 calendar days to submit a participation rate index challenge to ED's Default Management Division. Schools will have the opportunity later this year to appeal the official rates calculated by ED based on allegations of exceptional mitigating circumstances, erroneous data, or improper loan servicing/collection. The exact publication date for the official rates is yet to be determined.

Schools should mail challenges of their draft rates to TG Compliance Administrative Operations, Attention: Ken Johnson, P. O. Box 201725, Austin, Texas 78720-1725. Schools preferring overnight mail should send challenges

to Texas Guaranteed Student Loan Corporation, Attention: Ken Johnson, CAO/T7-2, 2929 Longhorn Blvd., Suite 106, Austin, TX 78758.

Schools that do not receive their FY 1998 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 1998 draft cohort rate challenge procedures, contact Ken Johnson at (800) 252-9743, ext. 4701. ★

New Federal PLUS Notice of Guarantee Correction

Shoptalk 93, May 1999 included a sample of Texas Guaranteed Student Loan Corporation's new Federal PLUS Loan Notice of Guarantee/Disclosure Statement (NOG). One field in the Loan Information section of the sample NOG was incorrect. The Guarantee Fee Percentage (not the Graduation Date) should be shown as the field to the left of Origination Fee Percentage. The Federal Stafford NOG in *Shoptalk 93* was correct as printed.

A revised sample of the PLUS loan NOG is available in PDF format on *TGWorks Online* at www.tgslc.org under "Schools and Lenders," "More Resources."

Questions

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

1999 TG Annual Report Published

The 1999 Annual Report for Texas Guaranteed Student Loan Corporation (TG) is now available. The report, *Opening the Windows of Opportunity*, focuses on TG's 20th year and also includes an overview of its history in a timeline and a special section called "Our Story."

The report is available on *TGWorks Online* in both HTML and PDF formats under "About TG" or "Publications." To obtain a printed copy of the report, contact TG Communications at (800) 252-9743, ext. 2878, or send an e-mail request to communications@tgslc.org. ★

TG Announces G-date for Preclaim Requests

Texas Guaranteed Student Loan Corporation (TG) has selected July 5, 2000, as its G-date, or the date on which it will begin accepting Common Claim Initiative (CCI) Preclaim Request Forms (i.e., default aversion requests in hard copy) and trading CCI records for preclaim reporting (electronic requests).

The CCI standardizes the method lenders and guarantors use in the preclaim process.

TG selected the date in accordance with the new implementation schedule for CCI reporting approved by the *Common Manual*

Governing Board. The CCI standardizes the method lenders and guarantors use in the preclaim process.

On July 6, 1999, the CCI Electronic File Workgroup published the final version of the CCI Preclaim request portion of the Common Account Maintenance (CAM) — a reporting process for guarantors and their customers to improve operational efficiency by exchanging information in a standard electronic format.

TG's G-date meets the Governing Board's requirement that guarantors establish their G-date at least two, but not more than twelve, months after the Workgroup published the CCI record formats for preclaim reporting. Lenders

and servicers who file default aversion requests with TG have a window of six months from TG's established G-date to begin using CCI record formats for preclaim reporting. This schedule ensures that all of TG's partners will be fully compliant with CCI requirements within 18 months of final publication of CCI preclaim formats.

Questions

For questions regarding TG's G-date for CCI preclaim filing, contact Art Cruz in TG Default Prevention at (800) 252-9743, ext. 4934, or send an e-mail message to art.cruz@tgslc.org. ★

Common Manual Governing Board Adopts Guiding Principles

On January 20, the *Common Manual* Governing Board formally adopted a set of Guiding Principles as proposed by the member guarantors' CEOs.

These Guiding Principles will serve as a focus that will drive every decision affecting *Common Manual* interaction with the Federal Family Education Loan Program (FFELP) community.

These Guiding Principles will serve as a focus that will drive every decision affecting *Common Manual* interaction with the Federal Family Education Loan Program (FFELP) community. The Guiding Principles clearly provide the CEOs'

commitment to excellence and provide a market framework for the development and implementation of FFELP policies.

The Guiding Principles hold six basic tenets:

- *Common Manual* Mission – To provide consistent policies, to the greatest extent possible, across all guarantors, in order to simplify the administration of the FFELP.
- *Common Manual* Scope – To be a definitive source for all FFELP participants.
- *Common Manual* Policy Goals – To enhance the efficiency and effectiveness of the FFELP.
- Stakeholder Involvement – To provide all stakeholders the opportunity to actively participate in the policy development process.

- Governing Board and CEO Participation – The Governing Board will actively participate in the policy development process and communicate proactively with the guarantors' CEOs.
- Public Forums – The Governing Board will provide the opportunity for stakeholder feedback through periodic meetings.

The *Common Manual* provides a single, standardized set of up-to-date student loan rules and is one of a number of efforts by guarantors to simplify and streamline the FFELP for schools and lenders. The *Common Manual* has been provided to more than 12,000 colleges, universities, and financial institutions. ★

Proprietary Institutional Eligibility: The 90 Percent Rule

To maintain eligibility to participate in Title IV programs, a proprietary institution must comply with the 90 Percent Rule (formerly known as the 85 Percent Rule). The 90 Percent Rule stipulates that no more than 90 percent of a proprietary institution's income may be derived from Title IV funds. Although the 1998 Reauthorization changes to the 90 Percent Rule are few (only four), they are important.

First, the percentage of revenue that a proprietary institution can derive from Title IV funds changed from 85 percent to 90 percent. Second, the wording "Title IV program funds" was added to the denominator. Third, Title IV funds are presumed to pay tuition, fees, and other institutional charges except when certain funds satisfy the charges. A new exception was added: funds provided by state prepaid tuition plans. Finally, the institution must use the cash basis of accounting when determining its income derived from Title IV funds.

The changes become effective on July 1, 2000; however, they may be implemented earlier if the provisions are implemented in their entirety.

The green box below contains the formula for determining the percentage of an institution's income derived from Title IV funds. The following contains an abbreviated review of the components and definitions that can be included in the formula.

Exclusions from the formula

The formula excludes funds from:

- Federal Work-Study Funds (unless used to pay a student's institutional charges);
- Leveraging Educational Assistance Partnership Program (LEAP) funds;
- Institutional matching funds for Title IV programs;
- Title IV funds refunded or returned because a student withdrew, dropped-out, was expelled, or otherwise failed to complete the period of enrollment.; and
- Amounts charged for books, supplies, and equipment (unless included in tuition, fees, or other institutional charges).

Institutional activities requirements

Activities must be:

- Conducted on campus or at a facility under the control of the institution;
- Performed under the supervision of a member of the institution's faculty; and
- Required to be performed by all the students in a specific program.

Title IV funds are presumed to pay tuition, fees, and other institutional charges except when charges are satisfied by:

- Grant funds provided by non-federal public agencies;
- Grant funds provided by private sources independent of the institution;
- Funds from qualified government agency job training contracts; or
- Funds provided by state prepaid tuition plans. (New)

Questions

For questions about the 90 Percent Rule, contact TG Customer Support at (800) 252-9743, ext. 4444, or send an e-mail message to customer.services@tgslc.org. ★

The 90 Percent Rule Formula

Numerator	Title IV program funds used to satisfy tuition, fees, and other institutional charges to students.
Denominator	The sum of revenues (including Title IV program funds) generated by the institution from tuition, fees, and other institutional charges for students enrolled in eligible programs; and institutional activities (not already included in tuition, fees, and other institutional charges) conducted for the education or training of students who are enrolled in these eligible programs.

Database Packer

Database Packer (Packer) is a utility that allows an AdvanTG™ administrator to reduce the size of the database. Packer simply removes blank space within the data, without compressing or deleting any of it. This can be very useful when the database size is extremely large.

To run Packer, the user should:

- Ensure all AdvanTG users have exited AdvanTG.
- From Windows Explorer, open the file C:\AdvanTG\Bin\Packer.exe. (This is available on any PC on which AdvanTG is installed.)
- Click on the “AdvanTG2Database” option in the left pane to highlight it.
- Choose the second icon from the left (“Compact all Tables”).
- Click the “OK” button when the compacting is complete.

- Close the window by clicking the “X” in the upper right hand corner.

Database Repair

Database Repair is a utility that ensures and repairs the integrity of the database. The user may be asked to run Database Repair by a Texas Guaranteed Student Loan Corporation (TG) Product Support representative to ensure the database is not corrupted or damaged. An AdvanTG administrator may also use Database Repair as a preventative tool on a regular basis (such as weekly or monthly, depending on the amount of AdvanTG usage).

To run Database Repair, the user should:

- Ensure all AdvanTG users have exited AdvanTG.
- On any PC on which AdvanTG is installed, select “Start,” “Programs,” “TGWorks,” and “Database Repair.”

- Sign in as the AdvanTG administrator.
- Choose “Select All” and then “Verify and Rebuild.”

The program will indicate whether any of the tables are damaged. If any damage is found, the administrator should call TG Product Support before proceeding to the next step.

If no tables are damaged:

- Select “Done.”
- Click on “Yes” when the software asks if the back up of the tables may be deleted.

Questions

For questions about Database Packer or Database Repair, or for help with any of your AdvanTG questions, contact TG Product Support at (800) 252-9743, ext. 2222, or send an e-mail message to customer.services@tgsllc.org. ★

Mapping Your Future Launches CareerShip

Mapping Your Future (MYF) is pleased to announce the creation of CareerShip, a vocational exploration tool for students. Through CareerShip, students can discover the skills and education needed to establish careers in a variety of occupations. Aspiring dancers, meteorologists, stockbrokers, or electronic equipment repairers can click on a general category of interest and select their desired occupation from a list of professions.

CareerShip makes it easier for students to compare their skills and interests to those required for a particular profession. This exploration tool also helps students learn about the curriculum requirements for entering a particular profession, challenges unique to the profession, and estimated salary ranges for the selected field of work.

In addition to CareerShip, MYF provides information about career planning, college admissions, and financial aid to help students make decisions concerning their postsecondary education.

Through CareerShip, students can discover the skills and education needed to establish careers in a variety of occupations.

The site also sponsors a series of online interactive Chat Nights in which students and their parents can pose questions concerning college and career planning and receive detailed answers from industry experts.

Texas Guaranteed Student Loan Corporation, along with 31 other guaranty agencies from across the nation, sponsors MYF to help provide awareness information to families and students. To experience CareerShip and find out about the other resources on the site, visit MYF at www.mapping-your-future.org.

Questions

For questions about CareerShip, or about MYF in general, contact Cathy Mueller at (800) 252-9743, ext. 4539 or send an e-mail message to cathy.mueller@mapping-your-future.org. ★

COMMON MANUAL UPDATES

INFORMATION ON REVISIONS TO THE COMMON MANUAL

Unemployment Deferment Documentation

Current *Common Manual* language has been revised to clarify that a borrower is required to provide the lender with documentation of at least six attempts to secure employment only when requesting an extension of an existing unemployment deferment. The manual also has been revised to clarify that these attempts must be made during the 6-month period preceding the period to be covered by the deferment extension.

Affected Sections: 7.10.E.

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

Policy Information: Reference #280

Guarantor Comments: None

Additional Eligibility for Unsubsidized Stafford Loans

Current *Common Manual* policy has been expanded to state that if a parent of a dependent student initially is determined to be eligible for a PLUS loan but subsequently is denied additional PLUS loan funds for the same loan period, the school may choose to certify additional unsubsidized Stafford loan funding for the student, not to exceed the maximum additional unsubsidized loan amounts (see subsection 5.7.H.). Any PLUS funds delivered or eligible future PLUS disbursements for the loan period must be included in the estimated financial assistance (EFA) used in determining eligibility for the additional unsubsidized Stafford loan. The school need not recover or refund PLUS loan proceeds for which the parent was previously determined eligible and that have been released to the parent or student, before the parent was determined ineligible for additional funding.

Affected Sections: 5.3

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

Policy Information: Reference #370

Guarantor Comments: None

Economic Hardship Deferment

Current *Common Manual* policy has been revised to clarify that a borrower who is unemployed, incarcerated, disabled, or temporarily on an unpaid leave of absence from work may qualify for an economic hardship deferment if he or she provides the lender with documentation of his or her income. In addition, any borrower who does not have income when applying for an economic hardship deferment must provide a self-certifying statement, either on the deferment form or in a separate statement, to the lender indicating that he or she has no income.

Affected Sections: 7.10.P.

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

Policy Information: Reference #372

Guarantor Comments: None

Bankruptcy Claim Filing

Current *Common Manual* policy requires a lender to file a bankruptcy claim with the guarantor if a borrower files a Chapter 12 or 13 bankruptcy or a petition for undue hardship (adversary complaint) under a Chapter 7 or 11 bankruptcy. This policy has been updated to reflect that a lender must also file a bankruptcy claim if a Chapter 7 or 11 bankruptcy converts to a Chapter 12 or 13 bankruptcy.

Affected Sections: 8.2.D. and ^{cc}8.2.D.

Effective Date: Bankruptcy filing or conversion notifications received by the lender on or after March 1, 2000, unless implemented earlier by the guarantor

Policy Information: Reference #373

Guarantor Comments: None

Deferment Eligibility for PLUS

Borrowers Clarified

The *Common Manual* has been revised to clarify that if the dependent student for whom a parent borrower obtained one or more PLUS loans meets the conditions required for an in-school or rehabilitation training deferment, the parent borrower may defer all of his or her PLUS loans based on the status of that one student — provided the parent borrower, on the date he or she signed the promissory note, has an outstanding balance on a FFELP loan disbursed before July 1, 1993. Previously, the manual inadvertently limited such eligibility to the borrowers with a loan first disbursed on or after July 1, 1987, but prior to July 1, 1993.

In addition, the current policy has been corrected to eliminate language that permits a PLUS borrower to be eligible for a graduate fellowship deferment based on the status of a dependent student. Prior to the reauthorization of 1992, the definition of “Independent Student” included a scenario where a graduate or professional student was considered dependent if the parent claimed that student as an exemption for tax purposes. For deferment purposes, the parent was considered eligible for graduate fellowship deferment based on the status of a dependent student for whom the parent obtained a PLUS loan. However, effective July 1, 1993, the definition of “Independent Student” changed to include all graduate or professional students as defined in HEA 480(d). This change eliminates a PLUS borrower’s eligibility for graduate fellowship deferment based on the status of the dependent student.

Affected Sections: 7.9.A., 7.10, 7.10.A., 7.10.C.

Effective Date: Deferments granted by the lender on or after April 1, 2000, unless implemented earlier by the guarantor

See Common Manual on page 7.

Common Manual (Continued from page 6)

Policy Information: Reference #290
Guarantor Comments: None

Claim Payment Time Frames Clarified

The technical corrections of April 16, 1999, clarify the time frames within which the guarantor will pay or return non-default claims. Based on this change, the *Common Manual* is being revised to address the claim payment and return time frames for all claim types. Guarantor payment of claims is governed by regulation. Time frames are measured from the date the guarantor receives the claim. Regulations specify that the guarantor is required to purchase an approved claim or return the claim to the lender within a specific number of days from receipt of the claim based on the claim type, as follows:

- 90 days for a default or closed school claim.
- 45 days for a total and permanent disability, bankruptcy, or death claim.
- 120 days for a false certification claim (90 days to determine the loan's eligibility for discharge, and another 30 days to authorize payment of the claim or return it to the lender).

If the lender fails to provide complete documentation for any claim, or if the lender has committed one or more servicing violations that warrant cancellation of the loan's guarantee (for any claim except a closed school or false certification claim), the claim will be returned to the lender unpaid within the applicable time frame noted above.

The manual has also been updated to clarify that closed school and false certification discharge claims are not subject to a review for servicing violations.

Affected Sections: 8.4, 8.6, ^{cc}8.4, ^{cc}8.6

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

Policy Information: Reference #358
Guarantor Comments: None

Lender Origination Fees Find a New Home

Information on the lender fee, the 0.5% fee each lender pays on all loans first disbursed on or after October 1, 1993, has been moved from subsection 6.6.G. to subsection 3.5.A. of the *Common Manual*. This move was made to ensure that lenders will find the material in the most logical location within the manual. There are no substantive changes for lenders associated with the move.

Affected Sections: 3.5.A. and 6.6.G.

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

Policy Information: Reference #376

Guarantor Comments: None

Consolidation Loan Subsidies During Deferment

Earlier this year, two sections of the *Common Manual* were updated to reflect that a portion of a Consolidation loan may be eligible for subsidy during periods of deferment. Now this same update has been added to two more subsections which were overlooked in the original update.

Affected Sections: 7.9.A., A.1.B.

Effective Date: Consolidation loan applications received by the lender on or after November 13, 1997

Policy Information: Reference #377

Guarantor Comments: None

Consolidation Loan Deferment Eligibility Factors Corrected

Common Manual subsection 9.5.C. has been revised to correct one of the factors affecting a Consolidation loan borrower's eligibility for deferment and to align it with guidance presented elsewhere in the manual.

A Consolidation loan borrower's eligibility for deferment is affected by the date on

which the borrower's Consolidation loan is made — not by “the date on which the lender received the Consolidation loan application and promissory note,” as was previously stated in subsection 9.5.C. of the manual.

Affected Sections: 9.5.C.

Effective Date: Deferments granted by the lender on or after July 1, 2000, unless implemented earlier by the guarantor

Policy Information: Reference #378

Guarantor Comments: None ★

SHOP TALK

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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

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

Return Service Requested

Two New Screens Available Through Online Access

Edit Criteria Summary Screen

Lenders and schools using OnLine Access (OLA) to view and update rejected applications can now take advantage of a new screen that automatically lists edit codes and edit code definitions specific to each rejected application.

To view this new Edit Criteria Summary screen, the user simply selects PF6 (EDIT CODE) on the Application Reject Screen. The new screen provides a detailed edit code list that includes a basic description of each edit code for which the application has been rejected. If the user requires a more detailed description of an edit code, a specific edit code can be entered into the Selected Edit ID field on the new Edit Criteria Summary screen, and upon pressing PF6 (FULL EXPL), the Edit Criteria Inquiry screen

will display. This OLA enhancement is the result of a ThinkBIG idea submitted by a Texas Guaranteed Student Loan Corporation (TG) customer.

E-Mail Address Update Screen

Another new screen available to OLA users is the E-mail Address Update screen. This screen, which is accessible through the OLA Update Menu (PF2), allows for the storage and maintenance of borrower e-mail addresses. Users can view and update borrower e-mail addresses by using this screen. The E-mail Address Update Screen includes the borrower's e-mail address, the Address Effective Date, and the Validity Indicator. An automatic history comment is produced upon the initial entry of an e-mail address and again each time at

least one of the fields on the screen is modified. The borrower e-mail address field is case sensitive; therefore, some users may need to adjust the format setting of their screens in order to view and input new borrower e-mail addresses properly.

The E-mail Address Update screen is the only option that TG currently offers for establishing, accessing, and updating borrower e-mail address information. TG plans to offer other borrower e-mail address options in the future.

Questions

For questions about OLA enhancements, contact Mashay Taylor at (800) 252-9743, ext. 4958, or send an e-mail message to mashay.taylor@tgslc.org. ★