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TG's Student Loan Default Rate Continues to Decline

According to the most recent report issued by the Department of Education for fiscal year (FY) 1998, the student loan default rate for Texas Guaranteed Student Loan Corporation (TG) is 9.4 percent. This is more than a two-percentage point reduction from FY 1997 when TG's default rate was 11.7 percent. TG manages 82 percent of the Texas student loan market. The default rate for the entire state is also 9.4 percent.

TG's Default Prevention Team provides solutions to assist borrowers in managing their student loan debts so that they can meet their financial obligations.

"In 1990, TG's default rate peaked at 30.8 percent. Since that time the rate has steadily declined by more than 21 percentage points," said Milt Wright, TG President and CEO. "What this tells me is that our default prevention efforts are working, and borrowers are honoring their obligations to repay their student loans."

TG's Default Prevention Team provides solutions to assist borrowers in managing their student loan debts so that they can meet their financial obligations. The team counsels delinquent borrowers in the use of deferments,

forbearance, flexible repayment options, and loan consolidation. Delinquent student loan borrowers who have questions or concerns about paying back their loans can call (800) 338-4752 to speak to a Default Prevention Counselor.

In FY 1998, TG unveiled its Achieving Systemic Default Aversion (ASDA) program, a comprehensive plan designed to provide technical assistance and support services to Texas institutions of higher education to help them establish, strengthen, and implement default management plans.

"Although its impact may not be fully realized until FY 1999 rates are released, we believe ASDA will play a significant role in further reducing our default rate and that of schools who participate in the program," said Wright.

Questions

For questions about default prevention or the ASDA program, call Joe Braxton at (800) 252-9743, ext. 4696 or Clarissa Baize at ext. 4765. For more information about TG's default aversion efforts, visit the Schools & Lenders section of *TGWorks Online* at www.tgslc.org and scroll to the "Default Aversion" section. ★



CLOSED SCHOOL CORNER

October 2000 Closed School Monthly Report did not result in any newly reported closures for TG. ED should recognize and report the two schools listed below in the November 2000 report.

REPORTED NOTIFICATIONS

TG SCHOOL ID#	SCHOOL NAME	SCHOOL ADDRESS	UNOFFICIAL CLOSURE DATE	ED'S OFFICIAL CLOSURE DATE
026085000	Delta Career Institute	1310 Pennsylvania Beaumont, TX 77701-5606	5/31/2000	N/A
008958000	Stenograph Institute of Texas	202 Pine St. Abilene, TX 79601	8/21/2000	N/A

New CAM-CCI Preclaim Implementation Reminder

It's out with the old and in with the new. As Texas Guaranteed (TG) begins its new fiscal year and prepares for 2001, TG is reminding all lenders and servicers that by January 5, 2001, all Default Aversion Assistance (DAA) requests submitted to TG must be in the Common Account Maintenance-Common Claim Initiative (CAM-CCI) format and must comply with CCI preclaim policies. On July 5, 2000, TG began accepting DAA requests in the CAM-CCI format and through the use of the common Preclaim Request Form.

Lenders and servicers are encouraged to complete testing and convert to the CAM-CCI preclaim data exchanges and the common Preclaim Request Form before January 5, 2001. To submit the new CAM-CCI preclaim data in TG's production environment, lenders and servicers must receive a written notification of acceptance from TG. Lenders and servicers not approved for the CAM-CCI preclaim data exchanges by January 5, 2001, must use the common Preclaim Request Form until they obtain TG's approval.

For More Information

For more information on how TG will implement and support CAM-CCI Preclaims and for information on testing data exchanges and return files (acknowledgements and rejects), lenders and servicers are encouraged to read "Implementing New CAM-CCI Preclaim

Policies" in the June 2000 issue of *Shoptalk*. Copies of the common Preclaim Form and Edit Table are available on *TGWorks Online* at www.tgslc.org/tgslc/claimfrm.htm.

Information that addresses the common policies for default aversion under the CCI is available in the *Common Manual* Chapter ^{cci} 8.

Questions and Assistance

For questions about TG's implementation of CAM-CCI Preclaims or sending test files, contact Art Cruz at (512) 219-4934 or send an e-mail message to art.cruz@tgslc.org. For technical assistance, contact Paula Williams at (512) 219-4919 or send an e-mail message to paula.williams@tgslc.org. ★

Cohort Default Rate Database Web Site

The Department of Education (ED) recently released the fiscal year (FY) 1998 cohort default rates and announced the availability of the Cohort Default Rate Database web site. This searchable web site enables users to locate a school's cohort default rates for FY 1998, FY 1997, and FY 1996 using the school's Office of Postsecondary Education Identification Number (OPEID), name, city/state, or institution type. To access the Cohort Default Rate Database, go to www.ed.gov/offices/OSFAP/defaultmanagement/cdr.html.

The information contained in this database reflects schools' FY 1998 cohort default rate data as of October 2, 2000. A school's official cohort default rate may change if the school appeals ED's calculation. Schools should have already received their FY 1998 official cohort default rates in the mail. In addition, schools may obtain an electronic loan record detail report from the National Student Loan Data System (NSLDS) web site at www.nslsdfap.ed.gov. The data used to calculate a school's FY 1998 official cohort default rate is located on the loan record detail report.

Questions

For questions about the Cohort Default Rate Database web site, call ED's Default Management Division at (202) 708-9396 or send an e-mail message to OSFA_IPOS_DEFAULT_MANAGEMENT_DIVISION@ed.gov. ★

TG Team Members Serve on Common Manual Committees

Three Texas Guaranteed (TG) team members are representing TG this year on *Common Manual* committees. TG has representatives serving on the *Common Manual* Governing Board, the *Common Manual* Policy Committee, and the *Common Manual* Logistics and Information (L&I) Committee.

Common Manual Governing Board

Effective November 1, 2000, Nina Hold, TG Assistant Vice President of Policy and Regulatory Affairs, is serving as Chair of the *Common Manual* Governing Board. Nina served on the original team that developed the *Common Manual* and has represented TG on the Governing Board since its inception.

The Governing Board has 36 members – one representative from each of the 36 participating guaranty agencies. The Board amends, approves, or disapproves individual policy proposals with the intent of promoting and maintaining the integrity of the Federal Family Education Loan Program (FFELP), while seeking to improve the efficient administration of the FFELP.

Common Manual Policy Committee

Michelle Anderson, TG Senior Policy Advisor, is a member of the *Common Manual* Policy Committee. This marks Michelle's second year as a Policy Committee member.

Michelle will serve as co-Chair Elect for the Policy Committee for the term November 1, 2000 to July 31, 2001. She will then serve as co-Chair for the term August 1, 2001 to July 31, 2002.

The Policy Committee develops and proposes timely policy updates that ensure the *Common Manual* accurately reflects current FFELP regulation and promotes

common guarantor policies and interpretive positions for inclusion in the manual.

Common Manual Logistics and Information Committee

Kelly Kaelin, TG Policy Specialist, is the new Editing Chair of the *Common Manual* Logistics and Information (L&I) Committee. This is Kelly's first term as an L&I Committee member.

The L&I Committee has seven specific areas of responsibility with respect to the

Common Manual: Distribution, Editing, Printing, Procurements, Public Relations, Technology, and Training.

Questions

For questions about TG's participation on these *Common Manual* committees, call TG Customer Services at (800) 252-9743, ext. 4444 or send an e-mail message to customer.services@tgslc.org. ★

THE WEBSHOP

INTERNET RESOURCES REFERENCED IN THIS ISSUE

The Web addresses listed below refer to the online information mentioned in this issue of *Shoptalk*.

TG's Default Aversion information

TGWorks Online, Schools & Lenders, "Default Aversion"
www.tgslc.org/tgslc/schools

Preclaim Form and Edit Table

TGWorks Online, Schools & Lenders
www.tgslc.org/tgslc/claimfrm.htm

ED's Cohort Default Rate Database

www.ed.gov/offices/OSFAP/defaultmanagement/cdr.html

The Integrated Common Manual online

TGWorks Online, Schools & Lenders
www.tgslc.org/tgslc/schools/integrated_online_manual.htm

Online Registration for the Selective Service

www4.sss.gov/regver/Register1.asp

Selective Service System

www.sss.gov

Final Rules from the spring 2000 Negotiated Rulemaking sessions

TGWorks Online, Schools & Lenders, "New Federal Regulations"
www.tgslc.org/tgslc/schools

TG's Return of Title IV Funds information

TGWorks Online, Schools & Lenders, "New Federal Regulations"
www.tgslc.org/tgslc/schools ★

COMMON MANUAL UPDATES

INFORMATION ON REVISIONS TO THE COMMON MANUAL

Note: Current *Common Manual Updates* (Updates) and an integrated version of the *Common Manual* (integrated version) are available on *TGWorks Online* under “Schools & Lenders.” By posting Updates and the integrated version online, TG offers its customers access to new policies shortly after the *Common Manual* Governing Board approves them.

If you want to be notified each time Updates and a revised integrated version are posted online, you can join TG’s electronic news service, *TG NetWorks*. To join, go to *TGWorks Online* at www.tgslc.org, click “Subscribe” and complete the online form.

Use of the MPN Multi-Year Feature

The *Common Manual* has been revised to exclude institutions located outside of the United States from using the multi-year feature of the Master Promissory Note (MPN). Also, if an institution has been deemed eligible by the Department to use the multi-year feature, the feature is applicable to all of the institution’s students, even those who are not enrolled in four-year, graduate, or professional programs.

Affected Sections: 2.2.A.

Effective Date: Loans certified by the school on or after March 13, 2000

Basis: DCL GEN 00-03, March 13, 2000

Policy Information: Reference 462

Guarantor Comments: None

Late Disbursement by a Lender

Common Manual policy has been revised to clarify one of the conditions for a lender’s late disbursement of loan proceeds. The lender must ensure that the school certified the borrower’s loan eligibility before the end of the loan period or the date on which the student ceased to be enrolled at least half time, whichever is earlier. As always, the school must have determined that the loan funds will be used to pay educational costs incurred for the period during which the student was enrolled and eligible.

Affected Sections: 6.2.H.

Effective Date: Late disbursements made on or after July 1, 2000, unless implemented earlier by the lender

Basis: §682.207(f)(1)(i) as updated by the *Federal Register* dated November 1, 1999 – Final Rule; *The 1999-2000 Federal Student Financial Aid Handbook*, FFEL Program Reference: Payment to the Borrower – Late Disbursement

Policy Information: Reference 463

Guarantor Comments: None

Deferment Forms Update

The *Common Manual* has been revised to align the deferment information with the common deferment forms that were approved by the Department of Education in July 1999. Deferment information has been updated to reflect the use of the Master Promissory Note. The changes include updates to form titles and abbreviations, and revisions to indications regarding the applicability of certain forms to certain borrowers or students. Following are highlights of the changes:

Form Changes

- In-School Deferment Request (SCH)
All student borrowers applying for in-school deferment now use a single deferment form. Parent borrowers seeking PLUS loan deferment based on the dependent student’s school enrollment no longer use this form, but use the new PLUS Borrower with Dependent Student Deferment Request form instead.
- Education Related Deferment Request (EDU)
Parent borrowers seeking PLUS loan deferment based on the dependent student’s rehabilitation training no longer use this form, but use the new PLUS Borrower with Dependent Student Deferment Request form instead.
- Temporary Total Disability Deferment Request (TDIS)

This form is used only for temporary disabilities. The option for the physician to certify a borrower’s permanent disability has been deleted. Borrowers with a permanent disability now use the Total and Permanent Disability Cancellation Request instead.

- Public Service Deferment Request (PUB)

The only changes to this form are that the deferment type formerly called “Military” is now called “Armed Forces” and that deferment candidates formerly referred to as “Domestic” program volunteers are now referred to as “ACTION” program volunteers.

- Parental Leave/Working Mother Deferment Request (PLWM)

This form previously was called the Family Deferment Request (FAM).

- PLUS Borrower with Dependent Student (PLUS)

This new form allows a PLUS borrower with an eligible dependent student to request deferments that were previously requested on the In-School and Education Related deferment forms. A PLUS borrower is eligible for deferment while the student for whom he or she borrowed a PLUS loan is dependent and meets one of the following criteria:

- Enrolled full time at an eligible school.
- Enrolled at least half time at an eligible school.
- Engaged full time in a rehabilitation training program.

Discontinued and Renamed Deferment Forms

The following forms have been discontinued and replaced:

- The Family Deferment Request (FAM) is now called the Parental Leave/Working Mother Deferment Request (PLWM).

See **COMMON MANUAL** on page 5.

COMMON MANUAL (Continued from page 4)

- The Education Related Deferment Request with the “New EDU” designation has been discontinued. Graduate fellowship and rehabilitation training deferments formerly requested on this form are now requested on the Education Related Deferment Request with the “EDU” designation instead. In-school deferments are now requested on the In-School Deferment Request (SCH) form instead.
- The Economic Hardship Deferment Request with the “New HRD” designation has been discontinued. All borrowers now use the Economic Hardship Deferment Request with the “HRD” designation.
- The Temporary and Permanent Total Disability Certification (DIS) has been replaced with the Temporary Total Disability Deferment Request (TDIS) and the Total and Permanent Cancellation Request forms.

Affected Sections: 7.9.A., 7.9.B., 7.10, 7.10.A., 7.10.C., 7.10.D., 7.10.F., 7.10.L., 7.10.O., 7.10.P.

Effective Date: Deferment forms distributed to borrowers no later than November 1, 1999

Basis: DCL GEN-99-23

Policy Information: Reference 464 and 465

Guarantor Comments: The new Deferment Eligibility Chart with revised footnotes is available on *TGWorks Online* at www.tgslc.org. PLUS loan deferment criteria based on the enrollment of the dependent student for whom the PLUS was borrowed have not changed. Refer to the PLUS Borrower with Dependent Student Deferment Request Form for the deferment criteria.

Paid-in-Full Loans

The *Common Manual* has been revised to clarify that when a loan is paid in full by the borrower, the lender must either return

the original or a true and exact copy of the promissory note to the borrower or notify the borrower that the loan is paid in full.

Affected Sections: 7.13

Effective Date: Borrower notification by the lender of loans paid in full by the borrower on or after July 1, 2000

Basis: §682.414(a)(5)(ii)

Policy Information: Reference 466

Guarantor Comments: None

Untimely Filing of Default Aversion Assistance Request

Revised *Common Manual* policy clarifies that if the lender fails to file a default aversion request by the 330th day of delinquency, the lender will not be entitled to interest, interest benefits, and special allowance for the most recent 270 days preceding the date on which the loan defaults.

Affected Sections: 8.1.J., ^{cc1}8.1.J.

Effective Date: Loans for which the first day of delinquency on the oldest outstanding due date is on or after July 1, 2000, unless implemented earlier by the guarantor

Basis: *Federal Register* dated October 29, 1999, §682.404(a)(2) and (k) and §682.411(i); *Federal Register* dated August 3, 1999, preamble discussion under §682.411

Policy Information: Reference 467

Guarantor Comments: None

Interest Subsidy on Federal Consolidation Loans

Guarantors have removed a reference to Nursing Student Loans (NSL) that may have led some to misinterpret when such loans were eligible for consolidation in the FFELP program. NSL loans first became eligible for FFELP consolidation on October 20, 1994. However, a passing reference to NSL loans in the first paragraph of section 9.6 – a paragraph that addresses Consolidation loans made from applications

received by the lender in 1993 – may have incorrectly implied that NSL loans could be included in pre-1994 Consolidation loans. To avoid any further confusion, this reference to NSL loans has been deleted.

Affected Sections: 9.6

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

Basis: Improving America’s Schools Act of 1994 (P.L. 103-382); Dear Guaranty Agency Director Letter dated November 8, 1994

Policy Information: Reference 468

Guarantor Comments: None

799 Codes Added to Common Manual

Lenders will find a comprehensive list of ED Form 799 codes and valid code combinations in the next update to the *Common Manual*. Guarantors have decided to add a two-page chart developed by the NCHHELP Regulations Committee to the manual. The chart currently is available on the NCHHELP Web site at <http://www.nchelp.org/public/799chart2000.pdf>.

Please note that current subsection A.3.D., Deactivation has been moved and re-designated as A.3.E., and a new subsection A.3.D., 799 Codes has been inserted.

Affected Sections: A.3.D., A.3.E.

Effective Date: The codes and combinations detailed on the chart were originally effective upon publication in statute or as specified in statute

Basis: HEA 438; Self-Instructional Workbook for the ED Form 799

Policy Information: Reference 469

Guarantor Comments: None ★

Selective Service Offers Options for Registration

In the October 10, 2000 *Federal Register*, the Selective Service System announced a list of the methods for registration with the Selective Service. According to the Military Selective Service Act (the Act), certain males ages 18 through 25 are required to register with the Selective Service System.

According to the Military Selective Service Act (the Act), certain males ages 18 through 25 are required to register with the Selective Service System.

More significant to the financial aid industry, registration with the Selective Service (if required) is necessary for consideration of Title IV aid eligibility via the Free Application for Federal Student Aid (FAFSA).

The following is a list of the methods of Selective Service registration:

- On-line registration at the Selective Service Internet site at www4.sss.gov/regver/Register1.asp
- Telephonic registration at (847) 688-6888
- Reminder Mailback Cards sent to many young men around the time they turn 18
- Selective Service Registration Cards available at any U.S. Post Office
- Registration through an appointed high school or college Selective Service Registrar
- Registration on approved Federal and State Government forms
- Registration through the Department of Education via the FAFSA

When registering with the Selective Service via the FAFSA, a young man may

simply answer “Yes” to the question, “If you are male (age 18-25) and not registered, do you want Selective Service to register you?” This is question # 30 on the 2000-2001 FAFSA and question # 28 on the 2001-2002 FAFSA. If a young man answers “Yes” to this question, the Department of Education will furnish the Selective Service with the applicable registration information.

Questions

For questions about Selective Service registration, call TG Customer Service at (800) 252-9743, ext. 4444 or send an e-mail message to customer.services@tgslc.org. For more information about Selective Service, visit the Selective Service web site at www.sss.gov. ★

ED Issues Final Rules

In the November 1, 2000, *Federal Register*, the Department of Education (ED) issued the Final Rules that resulted from the spring 2000 Negotiated Rulemaking sessions.

The Final Rules issued by ED pertain to the following topics:

- Special Leveraging Educational Assistance Partnership (SLEAP) Program
- Federal Perkins Loan Program
- Federal Family Education Loan Program (FFELP) and Direct Student

Loan Program (Guaranty Agency Due Diligence, Deferments, and False Certification Discharges)

- Death and Disability Discharges
- Cohort Default Rates
- Teacher Loan Forgiveness
- Institutional Eligibility and General Provisions

Note: ED published the loan disbursement provisions in the General Provisions NPRM. However, for publication of the Final Rule, ED consolidated the loan program issues,

so the disbursement piece has been incorporated into the guaranty agency due diligence, deferments, and false certification discharges package.

To view or download these Final Rules, visit *TGWorks Online* at www.tgslc.org/tgslc/schools under “New Federal Regulations.” ★

Common Manual Final Rule Project

The *Common Manual* Policy Committee (PC) has begun working on the Final Rule 2000 Project. This project was developed to solicit the comments and expertise of professionals from schools, lenders, servicers, guarantors, and industry associations to get the most industry input possible on each proposal before it is released for comment to the industry as a whole. In this effort, three Work Groups have been formed to review Final Rule issues covered in the *Common Manual*. Volunteers from the financial aid industry have offered to assist the PC in developing *Common Manual* policy proposals that correspond to changes brought about by recently published Final Rules.

Each Work Group is composed of a PC member as the Work Group Leader, other PC members, and volunteers from the financial aid industry.

Composition of the Work Groups

Each Work Group is composed of a PC member as the Work Group Leader, other PC members, and volunteers from the financial aid industry. Volunteers provide input as subject matter experts within their Work Groups, and Policy Committee members draft the resulting policy proposals. The three Work Groups for the Final Rule Project are Institutional Eligibility and Cash Management, led by Cheryl Hughes, South Carolina Student Loan Corporation; Servicing and Claims, led by Michelle

Anderson, Texas Guaranteed; and Cohort Default Rates, led by Tammy Burford, California Student Aid Commission/EDFUND.

Face-to-Face Meetings

On November 15, after the National Council of Higher Education Loan Programs (NCHELP) Fall 2000 Conference in Kansas City, Missouri, the Final Rules Project Work Group PC members met with the Work Group volunteers who attended the conference. The purpose of the meeting was to bring the Work Group participants face-to-face to allow them to get to know one another in person.

Policy Proposals Expected

Common Manual policy proposals resulting from the Final Rule Project are expected to be written and submitted to the *Common Manual* Governing Board by the end of February 2001 so that they may be included in the 2001 version of the *Common Manual*.

Questions

For more information about the Final Rule 2000 Project, call Michelle Anderson at (800) 252-9743, ext. 4608 or send an e-mail message to michelle.anderson@tgscl.org. ★

Second RT4 Teleconference a Success

Due to the challenges experienced by many schools in implementing the Return of Title IV Funds (RT4) policy, Texas Guaranteed (TG) hosted its second RT4 Teleconference on Tuesday, October 31, 2000. The teleconference featured a presentation by TG Assistant Vice President of Program Review, Ricardo Davila. Over 100 participants from 49 schools and three guarantors were given an opportunity to pose questions during a Q&A session that followed the presentation.

In addition to hosting two teleconferences on RT4, TG has posted other useful materials on the subject of RT4 on *TGWorks Online* to assist schools in implementing the policy. These materials include "Return of Title IV Funds Questions and Answers: Practical Issues" and "Return of Title IV Funds Worksheets," which are located at www.tgscl.org under Schools & Lenders.

Questions

For questions about Return of Title IV Funds, call TG Customer Services at (800) 252-9743, ext. 4444, or send an e-mail message to customer.services@tgscl.org. ★

Return Service Requested

Campaign Seeks to Increase Electronic CM Users

Go Electronic: Make It One Of Your New Year's Resolutions is Texas Guaranteed Student Loan Corporation's (TG's) latest campaign. From January 1, 2001, through April 27, 2001, TG will implement an outreach campaign to increase the number of electronic integrated *Common Manual* users *before* it prints and mails the 2001 paper edition.

Switching to the integrated *Common Manual* will benefit TG's industry partners by providing them with more timely updates

with changes identified – and it will benefit students, too. TG will provide a portion of the money saved because of cost reductions in producing and mailing paper *Common Manuals* to its TG Grant program.

More information about this campaign will be in upcoming issues of *Shoptalk*, *TG Connection*, and *TG NetWorks*. ★

SHOPTALK

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