



**TEXAS
GUARANTEED**

SHOP TALK

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Shoptalk Goes Electronic

For more than a decade, Texas Guaranteed (TG) has offered the student loan community the premier industry newsletter — *Shoptalk*. Since 1991, the monthly paper publication has delivered reliable information to its readers about all aspects of the student loan process.

But in today's world, information is valuable only if it is reliable *and* fast. In recent years, to help get information to you quickly, TG added an electronic newsletter, *TG NetWorks*, to its offerings.

Shoptalk Online

Now *TG NetWorks* is becoming *Shoptalk Online* — combining the reliability of *Shoptalk's* information with the speed of an electronic newsletter. *Shoptalk Online* delivers the content you have always relied on along with additional features and special links for easy Internet access — something a paper publication can't provide.

Beginning in October 2001, TG will replace the paper publication with weekly issues of *Shoptalk Online*.

TG recently began delivering *Shoptalk Online* to subscribers every two weeks. Beginning in October 2001, TG will replace the paper publication with weekly issues of *Shoptalk Online*. Without the constraints of printing and mailing, and with the speed of e-mail, you'll receive the same quality, dependable information as soon as it's available.

Hundreds of *Shoptalk* subscribers have already signed up for TG's electronic newsletter. However, TG wants to make certain that all *Shoptalk* readers continue to receive the information they need. TG recently mailed each *Shoptalk* subscriber a letter announcing the changes that are coming to the publication. The letter provides information about signing up for *Shoptalk Online* (visit *TGWorks Online* and select "Subscribe") and what to do if you aren't able to receive the electronic newsletter.

Questions

If you have questions about *Shoptalk Online* or the letter recently mailed to subscribers, call TG Communications at (800) 252-9743, ext. 2817, or send an e-mail message to communications@tgslc.org. ★

NASFAA History

The National Association of Student Financial Aid Administrators (NASFAA) recently announced the availability of a history that traces its first 20 years of existence: 1966-1985. The history recounts NASFAA's development into the largest postsecondary institutionally-based organization in the nation's capital. It is available on NASFAA's website at www.nasfaa.org/publications/2001/nhistory66-85.html. ★



NEWLY REPORTED CLOSURES

TG SCHOOL ID#	SCHOOL NAME	SCHOOL ADDRESS	UNOFFICIAL CLOSURE DATE	ED'S OFFICIAL CLOSURE DATE
009432000	ESS College of Business	4849 Greenville Ave. Dallas, TX 75206-4125	N/A	06/29/2001
025525000	Kenneth Shuler School of Cosmetology & Hair Design	1580 Middleton St. Orangeburg, SC 29115-4798	N/A	06/02/2001
004297000	Watterson College	150 S. Los Robles Ave. Pasadena, CA 91101	N/A	05/18/2001

Forbearances for Houston Flood Victims

This is a reminder to lenders regarding borrowers who were affected by the recent Houston flooding —

In August 1999, the Department of Education stopped issuing guidance related to specific natural disasters and granted loan holders the authority to:

- Decide what constitutes a natural disaster for purposes of an administrative forbearance, and
- Grant an administrative forbearance to borrowers who contact them asking

for temporary relief from their loan obligations because they have been adversely affected by a natural disaster.

The holder may grant a forbearance for up to three months based on the borrower's oral or written request for assistance and must document the reasons why it granted the forbearance in the borrower's loan file.

The holder does not need to obtain supporting documentation or a signed, written agreement from the borrower to justify a forbearance for the initial

three-month period. Continuation of the forbearance past the initial three months requires supporting documentation and a written forbearance agreement from the borrower.

Questions

If you have any questions regarding forbearances for natural disasters, call Texas Guaranteed's Customer Assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org. ★

PLUS Application and Promissory Note Extended

The current Application and Promissory Note for Federal PLUS Loan, which is due to expire on July 31, 2001, has been extended for 90 days. The new expiration date is October 31, 2001.

The Department of Education (ED) has received a notice from the Office of Management and Budget (OMB), signed on June 4, 2001, approving an emergency 90-day extension on the existing form. During this 90-day period, ED will submit a slightly revised version of the current application to the OMB for the normal clearance process.

Questions

If you have questions regarding this emergency extension or about the form itself, call TG Customer Assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org. ★

HEAL Interest Rate Update

The maximum interest rate for the portion of a Consolidation loan that is attributable to a loan made under the Health Education Assistance Loan (HEAL) program for the period July 1, 2001, through June 30, 2002 is 6.77 percent. The interest rate is equal to the average of the bond equivalent rates of the 91-day Treasury bill auctioned at the final auction held during the quarter ending June 30, plus 3.0 percent. ★

Default Aversion Assistance Request Information for Schools

Each year, Texas Guaranteed (TG) invites schools to subscribe to a free and useful default aversion tool, the weekly Notice of Default Prevention Activity report. This tool is beneficial because it notifies schools or their agents when current or former students are the subjects of a default aversion assistance request (DAAR) filed by a lender or servicer. The data provided on the report is derived directly from DAAR updates that TG receives from lenders and servicers.

The Notice of Default Prevention Activity report is valuable to all schools — especially those that have implemented default management programs.

Many schools have a standing request to receive the report automatically each week. The report notifies them of borrower delinquencies that are at least 60 days past due. TG provides an additional notification to schools if the borrower remains delinquent at day 159. To account for the default date change from day 180 to day 270 brought about by the 1998 Reauthorization of the Higher Education Act, the report now notifies schools of borrowers reported to be at least 210 days delinquent. The report also identifies borrowers who cannot be located; those who have had their delinquencies cured by deferment, forbearance, or payment; and those who are in a claim-pending status with TG.

The Notice of Default Prevention Activity report is valuable to all schools — especially those that have implemented default management programs. The report is

especially useful to schools as they support borrowers in managing their debt, recovering from loan delinquency, and avoiding the consequences of default. Currently, 353 schools receive the Notice of Default Prevention Activity report.

The report is available in paper and in an electronic format. The electronic version, called the Electronic School Report (ESR), is available through the Report Request/Distribution (RRD) system (or through the Specialized Report function of AdvanTG Web™). In addition to providing useful information about delinquent borrowers, the electronic version allows for easy management of the information. For example, schools can generate and customize various letters to borrowers by pushing a button!

Questions

If you are interested in receiving either of these free reports — the ESR or the paper version — contact your TG Customer Services Regional Consultant at (800) 252-9743 or by e-mail at customer.services@tgslc.org. For technical assistance with RRD, contact the Product Support Group at (800) 252-9743, ext. 2222, or by e-mail at product.support@tgslc.org.

For questions about default management training, contact Joe Braxton at (800) 252-9743, ext. 4696, or Clarissa Baize at ext. 4765. You can also contact TG's default management consultants by fax at (512) 219-4630 or by e-mail at joe.braxton@tgslc.org or clarissa.baize@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*.

Subscribing to *Shoptalk Online*

www.tgslc.org/tgslc/subscribe/index.cfm

20-year NASFAA History

www.nasfaa.org/publications/2001/nhistory66-85.html

Integrated Common Manual

www.tgslc.org/tgslc/schools/integrated_online_manual.htm

NSLDS Transfer Monitoring Process

<http://ifap.ed.gov/eannouncements/0628MonitoringProcess.html>

Specifications for creating and submitting batch files for the NSLDS

Web pages for the Transfer Monitoring Process

www.NSLDSFAP.ed.gov

National Summit of Councils "Initial Summary of Outcomes" Report

www.tgslc.org/tgslc/edalliance/cmef/index.htm

National Center for Education Statistics 2001 *Condition of Education* report

www.nces.ed.gov/pubsearch/majorpub.asp#condition ★

COMMON MANUAL UPDATES

INFORMATION ON REVISIONS TO THE COMMON MANUAL

Note: Current *Common Manual Updates* (Updates) and the *Integrated Common Manual* (ICM) are available on *TGWorks Online* under “For Schools” and “For Lenders.” By posting Updates and the ICM 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 ICM are posted online, you can join TG’s electronic news service, *Shoptalk Online*. To join, go to *TGWorks Online* at www.tgslc.org, click “Subscribe,” and complete the online form.

Loan Disbursement

Section 6.2 of the *Common Manual* has been updated to reflect regulatory language that prohibits the lender from disbursing loan proceeds prior to the disbursement date certified by the school on the disbursement schedule or any revised disbursement date that the school, or guarantor acting on behalf of the school, subsequently requests. Subsection 6.2.A. of the *Common Manual* has been updated to reflect that the lender must not disburse loan proceeds before obtaining a valid common application and promissory note or MPN, a disbursement schedule certified by the school, and except with the guarantor’s prior approval, a guarantee disclosure from the guarantor.

Affected Sections: 6.2, 6.2.A.

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

Basis: §682.207(b)(1)(i)(A) and (B).

Policy Information: Reference 526

Guarantor Comments: None.

Prehearing Conferences and Informal Compliance Procedures

The *Common Manual* has been updated to reflect regulatory language that states that in a Limitation, Suspension, or Termination action, a prehearing conference is available

to either a school or, if applicable, a third-party servicer; and an informal compliance procedure is available to either a lender or a servicer.

Affected Sections: 12.2.B.

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

Basis: §668.85; §668.86; §668.86(b)(1)(ii); §668.87; §682.401(b)(6)(i); §682.401(b)(7)(i); §682.703.

Policy Information: Reference 527

Guarantor Comments: None.

Deferred Interest Billing Rules Corrected

The *Common Manual* has been corrected to more accurately reflect the provisions of 34 CFR 682.300(c)(3), which details when the lender may begin billing the Department for interest benefits on a subsidized Federal Stafford loan, and to incorporate clarifications provided in correspondence from the Department of Education. Regulations provide that the earliest date on which the Department will pay interest benefits on a Stafford loan is based on when the loan was disbursed with respect to the first day of the period of enrollment and the method of disbursement, as follows:

- If a loan is disbursed *on or before* the first day of the period of enrollment and the funds are disbursed:
 - By *individual borrower check*, the lender may begin accrual of interest benefits on the later of 10 days before the first day of the period of enrollment or the date of disbursement.
 - By *master check or EFT*, the lender may begin accrual of interest benefits on the later of 3 days before the first day of the period of enrollment or the date of disbursement.

- If a loan is disbursed *after* the first day of the period of enrollment, regardless of the disbursement method, the lender may begin accrual of interest benefits 3 days after the date of disbursement.

For second and subsequent disbursements, accrual of interest benefits begins on the date the second or subsequent disbursement is made.

For a subsidized Stafford loan subject to delayed delivery requirements (a first-year, first-time undergraduate Stafford loan borrower attending a school subject to delayed delivery provisions), the lender may begin accrual of interest benefits on the loan as follows:

- 3 days after the date of the first disbursement if the funds are disbursed by either master check or EFT, regardless of when the funds are disbursed.
- On the date the first disbursement is made for funds disbursed by individual check on the first date of the period of enrollment.
- 3 days after the date of the first disbursement if the funds are disbursed by individual check after the first day of the period of enrollment.

Affected Sections: A.1.B.

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

Basis: §682.300(c)(3); March 10, 2000 private letter from the Department.

Policy Information: Reference 528

Guarantor Comments: None. ★

ED Issues Further Guidance on NSLDS Transfer Monitoring Process

An article in the June 2001 edition of *Shoptalk* gives a general overview of the National Student Loan Data System (NSLDS) Transfer Monitoring Process. The Department of Education (ED) has issued two recent forms of guidance on this process, which are described below.

Dear Partner Letter

ED has released a Dear Partner Letter (DPL) GEN-01-09, which describes the Transfer Monitoring Process in detail for financial aid administrators. The DPL can be accessed by visiting the Information for Financial Aid Professionals web site at <http://ifap.ed.gov/dpcletters/GEN0109.html> and includes an attachment with the following topics:

- Background
- New Rules

- Transfer Monitoring Process: “Inform, Monitor, Alert”
- Examples
- NSLDS Procedures
- Other Information
- Summary

Transfer Monitoring Process Batch File Specifications

ED also has released a document that describes the technical specifications necessary for the submission of batch files to NSLDS for the Transfer Monitoring Process. The document is available online at <http://ifap.ed.gov/eannouncements/0628MonitoringProcess.html>. Some schools may choose to use the batch file method and submit their list of transfer students to NSLDS via the Student Aid Internet Gateway. Other schools may choose the

alternative to the batch file method by conducting the entire Transfer Monitoring Process using the web pages provided at www.NSLDSFAP.ed.gov.

Questions

Questions regarding the Transfer Monitoring Process should be directed to the NSLDS Customer Service Center at (800) 999-8219 or by sending an e-mail message to NSLDSCOE@Raytheon.com. ★

TG Produces “Initial Summary of Outcomes” following National Summit of Councils

In May, Texas Guaranteed (TG) joined other default prevention leaders from throughout the nation in Dallas for the first National Summit of Councils, which was sponsored by TG, USA Funds Services, American Student Assistance, and Education First. During the summit, representatives from various guarantor default prevention councils and the Department of Education (ED) shared experiences and insight and developed strategies and plans for addressing current issues that affect debt management and have the potential to affect student loan default.

As a follow-up to the first summit, TG has prepared an “Initial Summary of Outcomes” report. The report, scheduled for release at

the annual NASFAA conference at the end of July 2001, contains five sections, one for each of the topics around which the summit’s work groups were organized:

- Distance Learning and Electronic Signature,
- Alternative Loans and From Need-Based to Merit-Based Aid,
- Impact of Economy on Repayment and Predictive Modeling,
- Legislative Mandates and Effectiveness of Deferments and Forbearances, and
- College Awareness and Debt Management.

Each section of the report includes an overview of the issues, factors associated with the issues, and a list of strategies

(more than 60 in all) that pertain to each issue and that are intended to enhance default prevention success. The report also provides a list of the participants who were part of each group.

A variety of factors relating to each of the issues emerged during the work sessions and are presented in the report. Some of the factors generating healthy discussions were:

- How a distance learner’s “attendance” in a variety of institutions might decrease his or her identification with the degree-granting institution.
- The idea that alternative loans can be too convenient and may encourage over-borrowing.

See SUMMIT OF COUNCILS on page 6.

SUMMIT OF COUNCILS (Continued from page 5)

- The potentially negative effect of merit-based aid programs on access.
- The need to examine how ED defines default rates.
- The danger that predictive modeling might make it easier for schools to deny access to students who demonstrate characteristics of potential defaulters.

The summit is the most recent component of TG's Achieving Systemic Default Aversion (ASDA) Program. The Council for the Management of Educational Finance (the Council) and ED established ASDA

in 1999 to offer assistance and support to institutions developing default management strategies.

The report is only TG's initial step in sharing the information from the summit. A comprehensive report that will address the issues in depth is scheduled for release in September 2001.

More Information and Questions

The report is available from the Council's web page on *TGWorks Online* at www.tgslc.org/tgslc/edalliance/cmef/index.htm.

For questions about the Initial Summary of Outcomes report, or to request a copy, contact TG Communications at (800) 252-9743, ext. 4990, or send an e-mail message to communications@tgslc.org. ★

INTEREST RATE CHANGES

Loan Type	First Disbursement Date	Previous Interest Rate	New Rate Effective 7/1/01
Stafford Loans subject to windfall profits. Originally fixed rate 7% loans.	Before 7/1/94	7.00%	6.79%
Stafford Loans subject to windfall profits. Originally fixed rate 8% loans.	Before 7/1/94	8.00%	6.79%
Stafford Loans subject to windfall profits. Originally fixed rate 9% loans.	Before 7/1/94	8.99%	6.79%
Stafford Loans for repeat borrowers subject to windfall profits. Originally fixed rate 8%/10% loans.*	On/After 7/23/92	8.99%	6.79%
8%/10% Stafford Loans subject to windfall profits when interest rate is 10%.*	Before 7/23/92 and to new borrowers between 7/23/92 and 9/30/92	9.14%	6.94%
Variable Rate Stafford Loans	Between 10/1/92 and 6/30/94	8.99%	6.79%
Variable Rate Stafford Loans	Between 7/1/94 and 6/30/95	8.25%	6.79%
Variable Rate Stafford Loans during the in-school, grace, and deferment periods.	Between 7/1/95 and 6/30/98	8.25%	6.19%
Variable Rate Stafford Loans during the repayment period (except deferment periods).	Between 7/1/95 and 6/30/98	8.25%	6.79%
Variable Rate Stafford Loans during the in-school, grace, and deferment periods.	On/After 7/1/98	7.59%	5.39%
Variable Rate Stafford Loans during the repayment period (except deferment periods).	On/After 7/1/98	8.19%	5.99%
SLS and PLUS Loans	Before 10/1/92	9.63%	6.71%
SLS Loans	Between 10/1/92 and 6/30/94	9.48%	6.56%
PLUS Loans	Between 10/1/92 and 6/30/94	9.48%	6.56%
PLUS Loans	Between 7/1/94 and 6/30/98	9.00%	6.56%
PLUS Loans	On/After 7/1/98	8.99%	6.79%

*Note: These loans will be capped at 8% during the first 48 months of repayment.

NCES Releases 2001 *Condition of Education*

The National Center for Education Statistics (NCES) has released the 2001 version of their annual publication *The Condition of Education*. Mandated by law to be submitted annually to Congress every June 1, the report summarizes important developments and trends in education.

This year's 350-page report addresses six main areas:

- Enrollment trends and student characteristics at all levels of the education system

- Student achievement
- Student effort and rates of progress among different population groups
- Quality of elementary and secondary education
- Contexts of postsecondary education
- Societal support for learning, including parental and community support for learning

The report also contains a special focus essay on the access, persistence, and success of first-generation students in postsecondary

education. The report is available on the NCES web site at www.nces.ed.gov/pubsearch/majorpub.asp#condition. ★

MONEY MATTERS

The average of the bond equivalent rates of 91-day Treasury Bills auctioned during the quarter ending June 30, 2001 is 3.77%. The average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter ending June 30, 2001 is 4.14%.

SPECIAL ALLOWANCE RATES

Eligible Loans	Applicable Interest Rate (%)	Annual Special Allowance Rate	Special Allowance for Quarter Ending 6/30/01
Loans made prior to 10/1/81	7	.0375	.000938
	9	.00	.00
Tax exempt loans made on or after 10/1/80, but prior to 10/1/81	7	.025	.00625
	9	.005	.00125
Loans made on or after 10/1/81, but prior to 11/16/86	7	.0027	.000675
	8	.00	.00
	9	.00	.00
Tax exempt loans made on or after 10/1/81	6	.035	.00875
	7 (Var.)	.025	.00625
	7.59 (Var.)	.0191	.004775
	8 (Var.)	.015	.00375
	8.19 (Var.)	.0131	.003275
	8.25 (Var.)	.0125	.003125
	8.99 (Var.)	.0051	.001275
	9.14 (Var.)	.0036	.0009
Subsidized Stafford loans made on or after 10/17/86, but prior to 10/1/92, and unsubsidized Stafford loans made prior to 10/1/92, for periods of enrollment beginning on or after 10/1/92, and Consolidation loans made on or after 11/16/86, but prior to 10/1/92	7	.0002	.000050
	8	.00	.00
	8.99 (Var.)	.00	.00
	9	.00	.00
	9.14 (Var.)	.00	.00
Subsidized and unsubsidized Stafford and Consolidation loans made on or after 10/1/92*	6	.0087	.002175
	7	.00	.00
	8	.00	.00
	8.25 (Var.)	.00	.00
	8.99 (Var.)	.00	.00
Subsidized Stafford loans and unsubsidized Stafford loans made on or after 7/1/95, but prior to 7/1/98, only during the in-school, grace, and deferment periods.	8.25 (Var.)	.00	.00
Subsidized Stafford loans and unsubsidized Stafford loans made on or after 7/1/98, but prior to 1/1/00, only during the in-school, grace, and deferment periods.	7.59 (Var.)	.00	.00
Subsidized Stafford loans and unsubsidized Stafford loans made on or after 7/1/98, but prior to 1/1/00, except during the in-school, grace, and deferment periods.	8.19 (Var.)	.00	.00
Subsidized Stafford loans and unsubsidized Stafford loans made on or after 1/1/00, but prior to 7/1/03, only during the in-school, grace, and deferment periods.	7.59 (Var.)	.00	.00
Subsidized Stafford loans and unsubsidized Stafford loans made on or after 1/1/00, but prior to 7/1/03, except during the in-school, grace, and deferment periods.	8.19 (Var.)	.00	.00

*Note: The interest rate for Consolidation loans made on or after 10/1/98 is determined by taking the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest 1/8th of one percent. Due to the wide range of possible applicable interest rates, this loan category is not included on the Money Matters chart.

Return Service Requested

New President at EFC

On July 10, 2001, Education Finance Council (EFC) announced the appointment of Mark E. Powden as its new president. EFC, based in Washington, D.C., is an association of non-profit student loan secondary markets. EFC represents 37 secondary markets as well as affiliate members including guaranty agencies, insurers, and investment bankers. As EFC's president, Powden will be responsible for the management of the EFC Washington office.

Powden is a former Staff Director to the Senate Health, Education, Labor, and Pensions Committee. In that capacity,

Powden had a substantial role in the development of legislation, in particular, the 1998 Reauthorization of the Higher Education Act. Prior to his service on the Senate Committee, Powden was Legislative Director for Senator James Jeffords. He has also held several other positions within the federal government's legislative branch. ★

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