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## FEDERAL UPDATES

### Information to Title IV Participants Regarding the Recent Terrorist Attacks

First and foremost, TG would like to express its condolences to those families affected by the senseless tragedies perpetrated against our nation on September 11, 2001. It is our sincere hope that the world never again sees such meaningless violence.

Second, TG strongly encourages its school, lender, and servicer partners to identify and assist those students and borrowers who have been impacted, directly or indirectly, by the terrorist attacks. On the day of the attacks, President Bush designated all five boroughs of New York City (The Bronx, Brooklyn, Manhattan, Queens, and Staten Island) as eligible for national disaster assistance. However, there may be, and certainly will be, affected borrowers outside of this area.

The following articles summarize three Dear Partner Letters that were recently issued by the Department of Education (ED) that provide guidance to participants in the federal student assistance programs.

These letters, which are GEN-01-11, GEN-01-12, and GEN-01-13, provide the following guidance:

- GEN-01-11 highlights the availability of the various tools available to help affected borrowers in the federal education loan programs.
- GEN-01-12 describes procedures that affected schools can use to ask for an extension of certain institutional reporting deadlines.
- GEN-01-13 provides guidance for lenders and schools concerning persons who are affected by military mobilization.

Also included in this issue are articles pertaining to ED's condemnation of recent harassment and attacks against Arab and Muslim Americans and a reference to a special NCHELP web page devoted to dissemination of information related to the disasters. In addition, information pertaining to available guidance for participants in the Title VII and VIII student loan programs is included.

ED encourages those with questions or suggestions regarding these issues to contact the SFA Customer Service Call Center through any of the following means:

- Via phone, ask questions or make suggestions Monday through Friday from 9 a.m. to 5 p.m. (Eastern) at (800) 433-7327. After hours calls will be accepted by an automated voice response system.
- Via fax, submit inquiries to the Call Center at (202) 260-4199.
- Via e-mail, direct inquiries to the Call Center staff at [SFA.Customer.Support@ed.gov](mailto:SFA.Customer.Support@ed.gov).
- Via the Schools Portal on the Internet, submit inquiries by going to [www.SFA4Schools.sfa.ed.gov](http://www.SFA4Schools.sfa.ed.gov) then clicking on the "Got a Question?" button.

## Relief for Borrowers Affected by Terrorist Attacks

On September 17, 2001, the Department of Education (ED) published Dear Partner Letter GEN-01-11 providing guidance for the Federal Family Education Loan Program (FFELP), Federal Direct Loan Program (FDLP), and Federal Perkins Loan Program in response to the recent terrorist attacks on the United States. This guidance specifically addresses the immediate needs of borrowers who are in repayment on a loan under one of these programs.

GEN-01-11 provides information to Title IV loan holders regarding:

- Forbearances for eligible borrowers,
- Collection activities and defaulted borrowers,
- Discharges, and
- Due diligence timelines.

### Forbearance in the FFELP and FDLP

#### *Borrowers Who Reside or Work in the Designated Disaster Area*

- **Granting Forbearances:** Until it can be determined whether a borrower qualifies for a deferment or discharge, FFELP lenders are authorized to grant mandatory administrative forbearance to borrowers (or endorsers, if applicable) who either reside in or, to the extent the lender has knowledge, work in the designated disaster area (New York City).
- **Borrower Requirements:** Mandatory administrative forbearance does not require either a request or documentation from the borrower.
- **Effective Dates:** This period of mandatory administrative forbearance is effective from September 11, 2001, to January 31, 2002. ED is also granting administrative forbearance to affected FDLP loan borrowers for the same period.
- **Notification:** Loan holders must notify borrowers that an administrative forbearance has been granted to allow them to pursue other potential program benefits that may be available to them.
- **Continuation:** Continuation of the forbearance beyond the initial period will require supporting documentation and a written forbearance agreement with the borrower.

#### *Forbearance for Other Borrowers*

- **Granting Forbearances:** Lenders should grant forbearance to other borrowers affected by the terrorist attacks (those who do not reside or work in New York City) for a period that ends no later than January 31, 2002, without supporting documentation and without a written forbearance agreement.

- **Requests and Documentation:** The forbearance must be based upon the request of the affected borrower, the borrower's family, or another reliable source. The reasons for granting the forbearance should be documented in the borrower's loan records.
- **Continuation:** Continuation of the forbearance beyond the initial period will require supporting documentation and a written forbearance agreement with the borrower.
- **Additional Eligibility:** During the initial forbearance process, lenders are encouraged to examine the borrower's eligibility for available deferment or discharge benefits.

**Note:** TG Default Prevention strongly encourages lenders and servicers to cancel Default Aversion Assistance Requests (DAAR) submitted for accounts at least 60 days delinquent once an administrative forbearance or deferment is applied. TG Default Prevention also requests that lenders and servicers provide borrower status updates whenever the borrower's delinquency status changes but does not result in zero days delinquency. This will allow TG to suspend counseling activities and to properly notify school partners of the change in account status.

### **Suspension of Collection Activities for Defaulted Borrowers**

The Secretary has authorized guaranty agencies to suspend collection activities from September 11, 2001, through January 31, 2002, for defaulted borrowers who reside or work in the designated disaster area (New York City). Guaranty agencies do not have to receive a request from the borrower to suspend collection activities for this period.

For other defaulted borrowers who have been impacted by the disaster, guaranty agencies may, upon request of the borrower, suspend collection activities for a period that ends no later than January 31, 2002.

These same guidelines will be implemented under FDLP.

### **Forbearance in the Federal Perkins Loan Program**

- **Granting Forbearances:** Loan holders should grant forbearance for affected Perkins loan borrowers who work or reside in the designated disaster area (New York City) without a borrower request or written forbearance agreement from September 11, 2001, to January 31, 2002.
- **Suspension of Collection Activities:** Loan holders should suspend collection activities on the accounts of defaulted borrowers in the designated areas during this period.
- **Forbearance for Other Perkins Borrowers:** For other affected borrowers (those not living or working within the designated area), loan holders should grant forbearance for a period that ends no later than January 31, 2002.
- **Borrower Requests:** Loan holders should grant forbearances based on the request of the borrower, the borrower's family, or another reliable source (which need not be in writing), without supporting documentation and without a written forbearance agreement.
- **Continuation:** Continuation of the forbearance beyond the initial period will require supporting documentation and a written forbearance agreement with the borrower.

### **Death Discharges**

- **Reliable Information:** As information becomes available and without contacting the borrower's family, FFELP lenders (without approval from ED or the guaranty agency), guaranty agencies, and Perkins schools are encouraged to use "reliable information" of a borrower's death to immediately suspend collection activities for whatever period is needed to process a death discharge. The same guidelines apply for the death of a dependent student in the case of a PLUS loan.
- **Other Reliable Information:** Guaranty agencies and schools may grant a death discharge on the basis of exceptional circumstances based on other reliable documentation supporting the discharge. "Other reliable information" may include, but is not limited to, obituary notices and published listings of the dead provided by a federal, state, or local

government entity, or one of the affected airlines. These same guidelines will be implemented for the FDLP.

- **Certified Copy of Death Certificate:** Guaranty agencies and schools are encouraged to obtain a certified copy of the death certificate at a later date if one is available through alternative sources without contacting the borrower's family.

### **Due Diligence Timelines**

For the period of September 11, 2001, through October 31, 2001, ED will not enforce time-sensitive deadlines with which lenders and guaranty agencies in the FFELP and institutions in the Perkins Loan Program normally are required to comply in their loan due diligence activities. If it determines that mail and other communication disruptions continue after October 31, 2001, ED may extend the period during which it will not enforce the time-sensitive deadlines.

### **More Information and Questions**

To access DPL GEN-01-11, visit the Information for Financial Aid Professionals web site at <http://ifap.ed.gov/dpclatters/gen0111.html>.

For questions about this guidance, contact TG Customer Assistance at (800) 845-6267, or send an e-mail message to [cust.assist@tgsic.org](mailto:cust.assist@tgsic.org).

## **Issues Surrounding Military Mobilization**

On September 25, 2001, ED published Dear Partner Letter GEN-01-13, which provides guidance to schools and lenders pertaining to students and borrowers affected by recent military mobilization efforts. This specifically refers to those persons who were called to active duty as members of the National Guard or Ready Reserves, or who were already serving in active duty but reassigned to other duty stations. This letter specifically addresses the topics of:

- Loan issues for borrowers not in default and those in default,
- Institutional charges and refunds for withdrawn students,
- Return of Title IV Funds calculations for withdrawn students, and
- The Soldiers' and Sailors' Civil Relief Act of 1940.

This guidance, as it concerns Title IV loans, applies to schools that are administrators of Perkins loans, as well as lenders and guaranty agencies in the Federal Family Education Loan Program (FFELP). ED will also treat its borrowers under the Federal Direct Loan Program in accordance with this guidance.

### **Loan Issues**

*Borrowers who are in school, in an in-school deferment, or in their grace period*

If these borrowers are ordered to active duty or reassigned, the lender must take the following actions:

- Maintain the borrower's loan in its existing status during the period of the borrower's active duty service or reassignment, plus the time necessary for the borrower to resume enrollment in the next available period, if the borrower wishes to go back to school (during a period not to exceed a total of 3 years).
- If the borrower's loan is in a grace period status at the time the borrower is called to active duty, exclude the period of time during which the borrower serves in active duty; the borrower will receive his or her full grace period in the future.

*Borrowers who are in repayment (other than in an in-school deferment)*

If these borrowers are ordered to active duty or reassigned, the loan holder (lender or Perkins school, as applicable):

- Must grant the borrower a forbearance, based on the request of the borrower, the borrower's family, or another reliable source, for the expected period of the borrower's active duty service, beginning on the first day of active duty, not to exceed one year. This forbearance does not require a written agreement or supporting documentation.
- May grant the borrower a forbearance beyond the initial period detailed above, with a written agreement with the borrower and supporting documentation, unless ED provides guidance extending the initial one-year limitation.
- Is encouraged to examine the borrower's eligibility for a military or other deferment, during the initial forbearance process.

#### *Borrowers in default*

If these borrowers are ordered to active duty or reassigned, the loan holder (guaranty agency or Perkins school, as applicable):

- Must cease all collection activities for the expected period of the borrower's military service, through September 14, 2002, unless ED provides guidance extending this period.
- Must resume collection activities no later than 30 days after the end of the borrower's military service or September 14, 2002, whichever is earlier.

#### **Institutional Charges and Refunds**

ED strongly encourages schools to provide either of the following to those students forced to withdraw due to military mobilization:

- A full refund of required tuition, fees, and other institutional charges; or
- A credit in a comparable amount against future charges should the student later decide to re-enroll.

In addition, ED encourages schools to be flexible concerning the re-enrollment options they provide to affected students.

#### **Return of Title IV Funds (RT4) Calculations**

If a Title IV eligible student withdraws because he or she was called to active duty or otherwise affected by the military mobilization, the school is required to do an RT4 calculation.

- If the school is required to return funds to a Title IV program, it must do so.
- If the calculation results in an overpayment of grant funds owed by the student, the school is not required to:
  - Contact, or collect the overpayment from, the student.
  - Notify the National Student Loan Data System.
  - Refer the overpayment to ED.

#### **The Soldiers' and Sailors' Civil Relief Act of 1940**

This Act provides for reduced commercial loan interest rates for certain borrowers in military service. It does not include loans under the Higher Education Act of 1965, as amended. The Act applies in the FFELP only if a lender or guaranty agency is suing a borrower who is covered by the Act. That is, the Act prevents a creditor from obtaining a default judgment in court, but does not prohibit other collection efforts.

#### **More Information and Questions**

To access DPL GEN-01-13, visit the Information for Financial Aid Professionals web site at <http://ifap.ed.gov/dpcletters/gen0113.html>.

For questions about this guidance, contact TG Customer Assistance at (800) 845-6267, or send an e-mail message to [cust.assist@tgsic.org](mailto:cust.assist@tgsic.org).

## **Institutional Reporting Deadlines**

On September 18, 2001, ED published Dear Partner Letter GEN-01-12, which provides guidance to schools affected by the recent terrorist attacks. The letter provides information about how those schools may request extensions of certain deadlines for:

- Filing the Fiscal Operations Report and Application to Participate (FISAP),
- Submitting final 2000-2001 Federal Pell Grant reports,
- Reporting Federal Pell Grant disbursement records, and
- Submitting Federal Direct loan records.

### **FISAP**

Upon a school's request, ED will grant an extension to the FISAP submission deadline of October 1, 2001, if the school is unable to meet this deadline because of the disaster. An affected school should make such a request, as soon as it is able, by contacting Richard Coppage in Campus-Based Operations by e-mail at [Richard.Coppage@ed.gov](mailto:Richard.Coppage@ed.gov) or by phone at (202) 708-7694. After October 11, 2001, Richard's phone number will be (202) 377-3174.

### **Final 2000-2001 Pell Grant Reporting**

Upon a school's request, ED will grant an extension to the October 1, 2001, reporting deadline of final 2000-2001 Federal Pell Grant payments if the school is unable to meet this deadline because of the disaster. An affected school should make such a request, as soon as it is able, by contacting Barbara Maddox in Pell Grant Operations by e-mail at [Barbara.Maddox@ed.gov](mailto:Barbara.Maddox@ed.gov) or by phone at (202) 708-8825. After October 11, 2001, Barbara's phone number will be (202) 377-3116.

### **Federal Pell Grant Disbursement Record Reporting**

For schools impacted by the disaster, ED will not enforce the deadline that a school submit a Pell Grant disbursement record within 30 days after the school makes a payment to the student or changes a previously reported payment. ED will instead require submission within 90 days. If a school is unable to meet this 90-day requirement, the school should contact Barbara Maddox through the information detailed above.

### **Submission of Federal Direct Loan Records**

For schools impacted by the disaster, ED will not enforce the deadline that a school submit Direct loan promissory notes, loan origination records, and initial and subsequent disbursement records no later than 30 days following the date of disbursement. ED will instead require submission within 90 days. If a school is unable to meet this 90-day requirement, the school should contact Sarah Utz in Direct Loan Operations by e-mail at [Sarah.Utz@ed.gov](mailto:Sarah.Utz@ed.gov) or by phone at (202) 260-5032. After October 11, 2001, Sarah's phone number will be (202) 377-3140.

### **More Information and Questions**

To access DPL GEN-01-12, visit the Information for Financial Aid Professionals web site at <http://ifap.ed.gov/dpcletters/gen0112.html>.

For questions about this guidance, contact TG Customer Assistance at (800) 845-6267, or send an e-mail message to [cust.assist@tgsic.org](mailto:cust.assist@tgsic.org).

## **Department Stance on Ethnic or Racial Harassment**

In an electronic announcement, Education Secretary Rod Paige stated that the Department of Education is deeply concerned about recent occurrences of harassment and violence against Arab and Muslim Americans. As a result of such occurrences, Paige issued a reminder of the responsibilities of educational institutions and student financial aid recipients under Title VI of the Civil Rights Act of 1964.

Schools, colleges, and universities are responsible under Title VI for providing students with an education environment free from discrimination. Furthermore, Title VI prohibits discrimination based on race, color, or national origin by recipients of federal financial assistance.

Paige's announcement also urges schools "to make sure that assemblies, classroom discussions, and other school activities held to honor victims of the tragedies do not inadvertently foster the targeting of Arab-American students for harassment or blame." Paige concludes by stating that "working together, we can make sure that our children get a good education in a safe environment that does not tolerate violence and hatred."

The electronic announcement was released on September 20, 2001, and is located at <http://ifap.ed.gov/eannouncements/0920CivilRightsAct.html>.

## **Special NCHelp Disaster Web Page**

The National Council of Higher Education Loan Programs (NCHelp) has developed a special page on its web site devoted to maintaining information pertaining to the disasters in New York City, Washington, D.C., and Pennsylvania on September 11, 2001. The page, which links from NCHelp's home page at [www.nchelp.org](http://www.nchelp.org), provides announcements and Dear Partner Letters from the Department of Education as well as additional information relevant to the FFELP industry. Be sure to check out this page frequently for additional information that may be posted.

## **Title VII and VIII Guidance Issued**

On September 21, 2001, the Department of Health and Human Services issued relief guidance for participants in Title VII and VIII student loan programs due to the September 11, 2001, terrorist attacks. This guidance closely mirrors the guidance provided by the Department of Education for Title IV programs.

The guidance addresses the following issues:

- Forbearance,
- Defaulted borrowers,
- Eligibility/documentation for death cancellation,
- Due diligence time frames, and
- Reporting requirements.

### **Additional Information**

For additional information, visit the National Association for Student Financial Aid Administrators (NASFAA) web site at <http://www.nasfaa.org/publications/2001/eahhs092101.htm>.

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