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TG UPDATES

How Low Can It Go? TG’s Default Rate 6.9% for FY 1999

TG’s cohort default rate has taken another plunge, down to its lowest percentage ever. According to the Department of Education’s (ED’s) cohort default rate report released September 18, 2001, TG’s rate for fiscal year (FY) 1999 is 6.9 percent. The default rate for the state of Texas is also 6.9 percent.

Steady Decline

TG’s cohort default rate has been on a steady decline for several years now, and has been cut almost in half in the last three years alone. The following chart shows TG’s annual default rates since FY 1996.

FY 1996	FY 1997	FY 1998	FY 1999
13.3	11.7	9.4	6.9

“Since 1990, the student loan default rate has steadily declined by more than 21 percentage points in Texas and more than 12 percent nationwide,” said Milt Wright, TG President and CEO. “This is a strong indication that our default prevention efforts are working and borrowers are honoring their obligations to repay their student loans.”

As a matter of fact, TG’s FY 1999 default rate is not far off of the national average of 5.6 percent, also the lowest rate ever for the nation.

Default Prevention Measures

TG has many solutions and tools available to assist borrowers in managing their student loan debts so that they can meet their financial obligations. In fact, TG has an entire team—Default Prevention—devoted to providing options to borrowers who might be having a tough time and need a little help. Default Prevention counsels delinquent borrowers in the use of deferments, forbearances, flexible repayment options, and loan consolidation.

TG’s efforts in combination with those of its partners have helped to make TG successful in bringing delinquent borrowers back into repayment. The results of such efforts are measured in TG’s “cure rate,” which has risen from 79 percent in 1996 to 91 percent in 2000. That means that TG has successfully brought 91 percent of delinquent borrowers back into repayment.

In addition to industry-wide efforts to prevent defaults, most student financial aid experts agree that the strong economy also contributed to the reduced default rates in recent years. With the economy showing signs of decline this year, experts fear that the long-term trend in declining default rates may come to any end.

“With unemployment rates rising and consumer confidence declining,” said Jeff Webster, TG’s Assistant Vice President for Research and Analytical Services, “the economy may make it difficult for borrowers just entering the job market. Fortunately, TG’s established default prevention programs are in place to help borrowers who are facing unemployment or having difficulty finding a first job.”

Online Information

TG’s web sites offer numerous resources to help students manage their student loan debt and to help schools and lenders find the information they need to support those efforts:

- *TGWorks Online* offers a “For Borrowers” section (www.tgslc.org/tgslc/borrowers/index.htm) that provides detailed information about “Managing Repayment” and “Handling Default.” In addition to information for borrowers, the web site offers information in the “Inventive Awareness Efforts” section (www.tgslc.org/tgslc/schools/fly_iae_default.htm) for its partners.
- *Adventures In Education*’s “College” section offers information about “Managing Your Money.” Resources available here include a Loan Calculator, budget worksheets, information about loan forgiveness, and detailed information about loan repayment, including repayment options for defaulted borrowers.

More Information and Questions

Delinquent borrowers are encouraged to contact TG at (800) 338-4752 to speak to a Default Prevention counselor. For more information about TG’s default prevention measures or for questions about how TG can help you help your borrowers manage their student loan debt, call Joe Braxton at (800) 252-9743, ext. 4696 or Clarissa Baize at ext. 4765.

TG Offers Workshops for TRIO Administrators

TG and the Council for Opportunity in Education (COE) are offering TRIO administrators help with effective loan counseling and debt management. Through regional workshops from now through December, TG and COE are hoping to equip administrators with the tools and strategies they need to help students and families understand the real and often complex responsibilities of borrowing to pay for a college education.

Schedule

The first workshop was held on September 27 at North Harris College in Houston, TX. Other workshops are scheduled for the following times in the indicated locations:

- October 9 – Dallas, TX (Richland College)
- October 30 – Denver, CO (Community College of Denver – Auraria Campus)
- November 11 – Oklahoma City, OK (Westin Hotel)
- November 27 – Albuquerque, NM (Southwestern Indian Polytechnic Institute)
- December 6 – New Orleans, LA (University of New Orleans)
- December 11 – Little Rock, AR (University of Arkansas at Little Rock)

Registration

No registration fees are being charged for the workshops and you can register online through *TGWorks Online* at www.tgslc.org. Just select the front-page link that begins with “Register today” and complete the easy online form. Additional materials will be mailed to you when your registration is received.

More Information and Questions

Details about the workshops including an agenda are also available online. If you have immediate questions, contact Joe Braxton at (800) 252-9743, ext. 4696, or Clarissa Baize at ext. 4765. You can also submit questions by e-mail to joe.braxton@tgslc.org or clarissa.baize@tgslc.org.

The workshops are being offered as a service of TG’s Achieving Systemic Default Aversion (ASDA) program with the assistance of Consumer Credit Counseling Services (CCCS) of Greater Dallas, Inc.

TG Schedules Holiday Closings

Believe it or not, it’ll be the holiday season before you know it. Here’s a schedule of TG’s upcoming holiday closings:

- Monday, October 8, Columbus Day
- Monday, November 12, Veterans Day
- Thursday and Friday, November 22 and 23, Thanksgiving
- Monday and Tuesday, December 24 and 25, Christmas
- Tuesday, January 1, New Year’s Day
- Monday, January 21, MLK Day
- Monday, February 18, Presidents Day

Pencil Me In

The first edition of *Shoptalk Online* each month will include a list of dates and events to remember for the next several weeks.

October 7-10

MASFAA Conference, Chicago, IL

October 8

Columbus Day, TG Holiday

October 8-10

Fall 2001 CAFAA Conference, Breckenridge, CO

October 9
TRIO Workshop, Dallas, TX

October 9-12
TASFAPA Fall Conference, Galveston, TX

October 10-11
NAFAA Conference, Lake Tahoe, NV

October 10-12
FASFAPA Conference, Jacksonville, FL

October 14-17
VASFAPA Fall 2001 Conference, Jacksonville, FL
RMASFAPA Annual Conference, Wichita, KS

October 16-19
AASFAPA, Auburn, AL
CCST Conference, South Padre, TX

October 17-19
AASFAPA Fall Conference, Sedona, AZ

October 17-20
ACE Minority Conference, Cincinnati, OH

October 18-19
GASFAPA Fall Conference, Macon, GA

October 24-26
LASFAPA Fall Conference, Lafayette, LA
OASFAPA Conference, Oklahoma City, OK

(October 29-30: Postponed to March 11-12
Distance Learning: The Future of Education, Adelphi, MD)

October 30
TRIO Workshop, Denver, CO

October 30–November 2
AASFAPA Conference, Hot Springs, AR

November 5-7
NCASFAPA Conference, Greensboro, NC

November 7-9
MASFAPA Conference, Jackson, MS

November 11
TRIO Workshop, Oklahoma City, OK

November 11-13
MASFAP Conference, Lake Ozark, MO

November 12
Veterans Day, TG Holiday

November 22-23
Thanksgiving, TG Holiday

November 26-30
SWASFAPA Conference, Tulsa, OK

November 27
TRIO Workshop, Albuquerque, NM

TRENDS AND ISSUES

Alternative Loans and Financial Aid

Let's face it. The cost of higher education continues to increase nationwide. As a result, students are seeking additional means for financing their education beyond traditional federal and state aid. One option students often turn to is alternative loans.

Alternative loans come in all shapes and sizes—some require co-signers, others require borrower credit checks; some have low dollar limits, others are higher; some require school certification, others do not.

Checking the Cost of Attendance (COA)

When a student applies for an alternative loan and the funds are sent to the school, the school is sometimes unaware of the existence of the loan until the money actually arrives. As always, when unexpected funds arrive, the financial aid administrator (FAA) has to determine whether the student is eligible for the funds before the school can deliver them to the student. That is, the FAA determines if the alternative loan, combined with the student's other resources, is within or exceeds the student's COA.

Alternative Loan within the COA

An alternative loan, like an unsubsidized Stafford or PLUS loan, can be used to replace the student's expected family contribution. (*Common Manual* 6.3.B.) If this is done and a student's alternative loan, combined with his or her other resources, is equal to or less than the COA, then everything is fine, and the alternative loan can be delivered to the student.

Alternative Loan Exceeds the COA

If a student's alternative loan and other resources exceed the COA, then the student's FAA may need to counsel the student about his or her options. Of course, one option is to contact the lender to reduce the alternative loan and bring the total resources to within the COA. If just reducing the alternative loan won't cut it, the FAA may need to sit down with the student and weigh the pros and cons of the available awards.

For example, if a student is faced with choosing between a Stafford loan and an alternative loan, consider the interest rates. Although some alternative loans exist that have low interest rates (such as those provided by certain charitable or educational organizations), chances are that the alternative loan rate is going to be higher than the Stafford rate, or other fees may be higher than Stafford fees. The student may decide that his or her best option is to cancel the alternative loan.

No Need to Adjust Other Awards

Unless the counseled student chooses to keep an alternative loan instead of another award, an FAA should not have to reduce or cancel a student's other financial aid awards to accommodate an alternative loan in the student's financial aid package. And if the alternative loan funds arrive at the school and the student's aid has all been delivered, unless the new loan fits into the COA, the funds should be returned to the lender. There is no need to adjust the student's other awards after the fact.

Questions

If you have questions about alternative loans and how they fit into a student's financial aid package, contact TG Customer Assistance at (800) 845-6267, or send an e-mail message to cust.assist@tgsllc.org.

TG'S LEGISLATIVE REPORTS

Find the September 27 issue of TG's Legislative Report online at www.tgslc.org/tgslc/publications/lege_report/index.htm. The report includes a Congressional update, an Appropriations update, information about the airline bailout bill, the release of \$5.1 billion in emergency funds, interim committees appointed by Texas' lieutenant governor, and an update on the TG Grant Program.

THIS, THAT, AND THE OTHER

The Department of Education changes the color of the paper version of the Free Application for Federal Student Aid (FAFSA) every year in an established, rotating cycle. There are four pastel colors in the cycle: lemon yellow, cotton candy pink, sea foam green, and baby blue. Since award years often overlap, the different colors allow both the student and the school to keep track of the year to which the application pertains. The 2002-2003 paper FAFSA will be blue.

**Contributors to this
month's edition:**

Kelly Kaelin

Laura Lavergne

Art Martinez

Shoptalk Online is published by Texas Guaranteed (TG). Unless specifically noted, the policies and procedures outlined in *Shoptalk Online* 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 Online*, subscribe or order additional copies, please contact Communications at (800) 252-9743, ext. 2878 or communications@tgslc.org.

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