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**FEDERAL UPDATES**

**Call for Community Service Grows Louder**

Many things have changed since September 11, 2001. Our sense of invincibility, our capacity for compassion, and our spirit of patriotism have all been affected. These changes were to be expected, as they are natural by-products of the dramatic events we witnessed. Another change was also inevitable—a growing spirit of community. And the federal administration aims to harness that spirit in the form of several projects intended to increase the nation’s community service.

In President Bush’s recent State of the Union address, he announced several objectives “to sustain and extend the best that has emerged in America.” These objectives, elaborated in literature pertaining to the address posted on [www.whitehouse.gov/stateoftheunion](http://www.whitehouse.gov/stateoftheunion), include a dramatic increase in the community service requirement for schools participating in the Federal Work-Study (FWS) Program, a sizeable increase in AmeriCorps participation, and the formation of the new USA Freedom Corps.

## **Increase in FWS Community Service Percentage**

Currently, a school participating in the FWS Program is required to use 7 percent of its funds to compensate students employed in community service positions. The national average is 14 percent. There have been recent calls for that percentage to increase to 25 (separate bills introduced in the Senate and the House)—the president’s plan raises the volume to 50.

Of the 50 percent that every school would be required to devote to community service, the plan further specifies that 5 percent of FWS students would be expected to work in homeland security fields of public safety, public health, and emergency preparedness. According to the figures provided by the Bush administration, this would mean that “an additional 250,000 to 300,000 students would serve an average of 10 hours a week in non-profit organizations across the country.”

## **Increase in AmeriCorps Participation**

The AmeriCorps program provides a monetary award that a student may use toward his or her current cost of attendance or previous educational loan debt, in exchange for domestic community service. The continued survival of the program, which is run by the Corporation for National and Community Service, has been uncertain in years past, but Bush’s proposal would expand AmeriCorps’ participation from 50,000 to 75,000 students—a 50 percent increase.

As with the FWS Program, AmeriCorps would contain a focus on service positions in emergency preparedness and public health and safety. The proposal would also expand how AmeriCorps funds can be used to include payment toward health care costs, job training, and a down payment on a home. Furthermore, Bush’s proposal would exclude the award from being counted as taxable income.

## **Creation of the USA Freedom Corps**

The USA Freedom Corps is a new comprehensive, integrated citizen service initiative. This initiative is the umbrella under which several other programs will exist, including the following:

- A newly established Citizen Corps
- The current AmeriCorps and Senior Corps
- The current Peace Corps

The Citizen Corps would, according to the USA Freedom Corps web site ([www.usafreedomcorps.gov](http://www.usafreedomcorps.gov)), “engage Americans in specific homeland security efforts in communities throughout the country.” The Citizen Corps will consist of several subprograms, including the Volunteers in Police Service Program, the Medical Reserve Corps, and Operation TIPS (Terrorist Information and Prevention System).

The Senior Corps, in addition to expanding its volunteer participation by 100,000, would allow older citizens to earn college scholarships that they could transfer to someone else, such as a grandchild or a student they tutor.

The revitalized Peace Corps would double its numbers (currently, it has 7,000 volunteers) and expand to more countries, with a focus on supporting reconstruction efforts in Afghanistan.

## Implementation and Funding

President Bush's proposals require congressional legislative action and would be implemented over varying periods of time, some still to be determined. Bush's proposed budget for fiscal year (FY) 2003, released February 4, 2002, provides additional funding for several of his community service initiatives and also requires congressional approval. Although the FWS Program would receive no increase (its funding would stay at the current FY 2002 level of \$1.011 billion), the plan calls for a 56.4 percent increase for AmeriCorps (from \$408 to \$638 million) and a USA Freedom Corps budget of \$560 million for all of its various components.

No matter which initiatives see the light of day or which see the chopping block, however, the call for community service is growing louder in the current federal administration. As President Bush declared in the State of the Union address, "We want to be a nation that serves goals larger than self...Through the gathering momentum of millions of acts of service and decency and kindness, I know we can overcome evil with greater good."

## Closed School Corner

### NEWLY REPORTED CLOSURES

OPE ID#	SCHOOL NAME	SCHOOL ADDRESS	UNOFFICIAL CLOSURE DATE	ED'S OFFICIAL CLOSURE DATE
02134400	Connecticut Institute of Art	581 W. Putnam Ave. Greenwich, CT 06830-6073	N/A	12/12/2001
02143800	Huntington Institute	193 Broadway Norwich, CT 06360-4407	N/A	11/09/2001
03445400	Expert Solutions Technical College	1200 S. Sherman #100 Richardson, TX 75081-6540	N/A	12/30/2001

## TG UPDATES

### 2002 Workshop Series Offers Practical Strategies to Manage Default

If you're looking for practical strategies to manage student loan default (and who isn't), then you'll want to register for TG's free, one-day default aversion workshops. The workshops are scheduled for the spring and summer, with dates from March through July 2002, in ten sites in Texas, Oklahoma, and Georgia.

TG's Default Aversion Consultants, Joe Braxton and Clarissa Baize, will conduct the workshops—Practical Strategies for Effective Default Aversion—along with representatives from the Council for the Management of Educational Finance. The events will offer participants the opportunity to gain information about a range of default aversion topics including:

- TG's Voluntary Flexible Agreement (VFA) and how it can help your institution,
- The latest regulations and policies affecting financial aid,
- How to identify and target critical student cohorts, and
- Retrieving and using TG reports, Default Management Reports (DMR), and other tools.

Participants in previous TG default aversion workshops will find that this series adds to the ideas and methods offered before. As in earlier workshops, attendees will obtain information and learn to use tools that can help them develop and implement practical strategies to combat default.

You'll find additional information about the series on *TGWorks Online*, including a complete list of workshop dates and locations as well as online registration, at [www.tgslc.org/tgslc/default\\_workshops/index.cfm](http://www.tgslc.org/tgslc/default_workshops/index.cfm).

## Questions

For questions about the workshops or about default aversion in general, contact Joe Braxton at (800) 252-9743, ext. 4696, or Clarissa Baize at ext. 4765. You can also e-mail questions to [joe.braxton@tgslc.org](mailto:joe.braxton@tgslc.org) or [clarissa.baize@tgslc.org](mailto:clarissa.baize@tgslc.org).

## Refer-a-Friend: Spread the JobGusher™ News

JobGusher™ ([www.jobgusher.com](http://www.jobgusher.com)) meets the needs of a variety of jobseekers—students and recent graduates—looking for entry level, part-time, full-time, seasonal, and internship positions. The site also offers benefits to employers, with features such as personalized home pages, and to schools, with features like Online Job Fairs.

### Refer-a-Friend/Colleague Contests

In addition to the benefits the site offers, JobGusher users now have an additional incentive to spread the news about the site's features. On January 1, 2002, the site launched its Refer-a-Friend and Refer-a-Colleague contests.

The goal of the contests is to encourage users to pass along interesting job postings and JobGusher tips and information to friends and colleagues who may benefit from JobGusher services. Prizes include a portable DVD player for students, a Personal Digital Assistant (PDA) for schools, and ten free job postings for employers.

When a jobseeker, employer, or school registers with JobGusher.com, the system automatically assigns that person a numeric "referral code." Each time someone enters that referral code on a JobGusher registration, the referring person will automatically receive one entry into the JobGusher.com contest. The more referrals someone makes, the more entries he or she receives.

Prizes will be awarded once each quarter, beginning on April 2, 2002. JobGusher will select winners at random.

### Additional Information and Questions

JobGusher offers a variety of services and provides informational resources such as an "Applying for a Job" checklist, suggestions for writing resumes and cover letters, and a list of typical interview questions. With up-to-date information and employment listings, and affiliations such as *Mapping Your Future*™ and *Adventures In Education*™, JobGusher provides students and recent graduates with a recruitment site that caters to their specific needs and concerns.

A complete set of rules for the contest can be found at [www.jobgusher.com](http://www.jobgusher.com). For questions about the site or the contest, contact JobGusher at 1-866-JOB-GUSH or send an e-mail message to [customercare@jobgusher.com](mailto:customercare@jobgusher.com).

JobGusher is a service of Education Assistance Services, Inc., a subsidiary of Texas Guaranteed.

# TRENDS AND ISSUES

## School Certification Q&A

This question and answer (Q&A) is the first in a series that will be featured on *Shoptalk Online* in the coming months. Each will relate to a different topic associated with higher education. This Q&A pertains to the subject of school certification of a loan.

Q: What does a school certify when it certifies a Stafford loan borrower's eligibility?

A: Per the Federal Stafford Loan School Certification form, the school certifies that the borrower is:

- Accepted for enrollment on at least a half-time basis,
- Making satisfactory progress in an eligible program,
- Not incarcerated,
- Compliant with the requirements of the Selective Service Act, and
- Eligible for a loan in the amount certified in accordance with the Higher Education Act of 1965 (the Act), as amended, and federal regulations.

The school also certifies that the borrower's eligibility for a Pell grant has been determined and that the disbursement schedule for the loan complies with the requirements of the Act.

Q: Could a school ever refuse to certify a borrower's loan?

A: According to the *Common Manual*, subsection 5.8.B., derived from the 34 Code of Federal Regulations 682.603(e), on a borrower-by-borrower basis, a school may refuse to certify a loan or may reduce the borrower's eligibility if it provides the reason for its action to the borrower in writing and retains documentation of the reason in the student's file. Reasons for refusing to certify a loan or reducing the borrower's eligibility for the loan might include:

- The school determines that the student's cost of attendance can be met more appropriately by the school or directly by the student and/or borrower from other sources.
- The borrower indicates an unwillingness to repay the loan.

Q: Under what circumstances may a school *not* refuse to certify a loan?

A: Also according to subsection 5.8.A. of the *Common Manual*, derived from the 34 Code of Federal Regulations 682.603(e), a school may *not* refuse to certify a loan based on policies that result in a pattern or practice of denying access to FFELP loans because of:

- Borrower race,
- Sex,
- Religion,
- National origin,
- Age,
- Income, or
- Selection of a particular lender or guarantor.

Practices at the school also may not discriminate against student borrowers who are physically, emotionally, or intellectually challenged—provided the student exhibits an appropriate ability to benefit. The school also may not refuse to certify a loan solely because it is aware that the student or borrower has filed a bankruptcy petition.

Q: What happens after a school certifies a borrower's loan eligibility?

A: According to the *Common Manual*, subsection 2.2.A., after the school has certified a borrower's loan eligibility, the borrower or school submits the loan information to an eligible lender of the borrower's choice. In some cases, the borrower or school may submit this information directly to the guarantor on the lender's behalf.

## LEGISLATIVE UPDATE

TG's February 4 *Legislative Report* includes an overview of the Administration's proposed 2003 budget, a discussion of both sides of the budget deficit debate, and a report on a proposal from a University of California faculty committee's recommendation to drop the SAT I admissions requirement. Read the entire issue online at [www.tgslc.org/tgslc/publications/lege\\_report/2002/lr\\_020204.htm](http://www.tgslc.org/tgslc/publications/lege_report/2002/lr_020204.htm).

## COMMON MANUAL

### **Common Manual Updates**

Note: Current *Common Manual Updates* (Updates) and the *Integrated Common Manual* (ICM) are available on *TGWorks Online* at [www.tgslc.org/tgslc/schools/integrated\\_online\\_manual.htm](http://www.tgslc.org/tgslc/schools/integrated_online_manual.htm). By posting *Updates* and the ICM online, TG offers its customers access to new policies shortly after the *Common Manual* Governing Board approves them.

### **Loan Assignment, Sale, and Transfer Requirements Clarified**

The *Common Manual* has been revised to reflect existing regulatory provisions indicating when a loan may be assigned, sold, or transferred, to define the terms "assignment of a loan" and "loan sale," and to amend the definition of the term "loan transfer." An assignment or sale may only occur between lenders and holders that are eligible to participate in the loan and guarantor programs applicable to the loan type being assigned.

If the assignment or sale of a loan changes the identity of the party to whom the borrower must send subsequent payments or communications, the loan may be assigned or sold only if it is fully disbursed. If the assignment or sale does not change the identity of the party to whom payments or communications are sent, the lender may assign or sell the loan after making the first disbursement. If a loan that is in a grace or repayment status is not assigned or sold, but the servicing of the loan is transferred to another party, the loan holder must notify the borrower regarding the contact information for the new servicing party.

The revised policy adds glossary definitions of the terms "assignment of a loan" and "loan sale." Assignment of a loan is defined as any change in the ownership interest of a loan, including a pledge of such an ownership interest as security. The term "loan sale" is defined as the change of ownership of a loan from one eligible FFELP lender or holder to another lender or holder. The definition of "loan transfer" is changed to include only those transactions that result in a change in the system used to monitor or conduct collection activities on the loan.

In addition, general requirements regarding loan sales and transfers from subsection 3.3.C. have been consolidated with associated borrower notification requirements in subsection 3.4.B. As a result, subsection 3.3.C. has been removed and subsection 3.3.D. has been redesignated as 3.3.C.

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**Affected Sections:** 3.3.C., 3.3.D., 3.4.B., 3.5.E., appendix G

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

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**Basis:** §682.208(3); §682.401(b)(17).

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**Policy Information:** Reference 335

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**Guarantor Comments:** None.

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### Clarification: Borrower Exceeds Maximum Loan Amounts

The *Common Manual* has been revised to clarify that if a borrower exceeds either an annual or aggregate loan limit established in statute, the borrower may not receive additional Title IV funds of any type until one of the following occurs:

1. The borrower authorizes the school to adjust the excess loan amount or reallocate funds between a subsidized Stafford loan and an unsubsidized Stafford loan for which the borrower is eligible.
2. The borrower repays in full the excess loan amount.
3. The borrower makes arrangements satisfactory to the holder of the loan to repay the excess loan amounts.

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**Affected Sections:** 5.7

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

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**Basis:** §668.32(g)(2).

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**Policy Information:** Reference 555

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**Guarantor Comments:** None.

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### Forbearance Records

The *Common Manual* has been revised to ensure consistency between subsections and to clarify that lenders may use any form or format acceptable to the guarantor to obtain a signed forbearance agreement. In cases where a signed forbearance agreement is required, the lender must retain a copy of that agreement. In addition, for each forbearance period, regardless of whether a signed agreement is required, the lender must document in the borrower's file or the loan's servicing history the forbearance beginning and ending dates and the reason for granting forbearance.

<b>Affected Sections:</b>	7.11.I.
<b>Effective Date:</b>	Retroactive to the implementation of the <i>Common Manual</i> .
<b>Basis:</b>	§682.414(a)(4)(ii)(G).
<b>Policy Information:</b>	Reference 556
<b>Guarantor Comments:</b>	None.

### Default Claims

The *Common Manual* has been revised to eliminate repetitive information regarding the timely filing deadlines for default claims within the same subsection and to align text in subsection 8.2.A. with text already in subsection 8.1.D. A new introductory paragraph has been added that states that if a borrower defaults on his or her loan, the lender may file a default claim with the guarantor.

Information regarding the earliest date a lender may file a default claim has been moved to the last subheading previously titled "Timely Filing Deadline for Default Claims," but now titled "Filing Time Frames for Default Claims."

<b>Affected Sections:</b>	8.2.A., <sup>CCI</sup> 8.2.A.
<b>Effective Date:</b>	Retroactive for loans on 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.
<b>Basis:</b>	None.
<b>Policy Information:</b>	Reference 557
<b>Guarantor Comments:</b>	None.

### Ineligible Claims

CCI chapter 8 of the *Common Manual* has been updated to eliminate a paragraph that stated that the eligible portion of a loan would be reguaranteed and considered current if payment of the ineligible portion is received within 30 days after the date the lender completed the curing activities. This paragraph followed the ICA/Location Cure Procedure for Ineligible Borrower Claims passage that was removed from subsection <sup>CCI</sup>8.8.K. in proposal #203 from batch #35, approved in April 1998. Information on penalties for timely filing violations for ineligible borrower claims is included in subsection <sup>CCI</sup>8.8.E.

<b>Affected Sections:</b>	CCI 8.8.K.
<b>Effective Date:</b>	Effective with the implementation of the Common Claim Initiative (CCI).
<b>Basis:</b>	None.
<b>Policy Information:</b>	Reference 558
<b>Guarantor Comments:</b>	None.

## THIS, THAT, AND THE OTHER

In today’s tough economic times, it is good for borrowers to know their options if they get into a pinch and cannot make their student loan payment. For example, several different types of deferments are available to FFELP borrowers. These deferments are based on circumstances that a borrower may be facing that make it difficult for the borrower to pay his or her loan, such as:

- The borrower becomes unemployed.
- The borrower returns to school on at least a half-time basis.
- The borrower becomes temporarily totally disabled.
- The borrower is experiencing economic hardship.

These circumstances, in addition to others, may qualify a borrower for a temporary cessation of his or her payments, if the borrower meets all of the eligibility requirements.

For a complete list of deferments and their applicable forms, visit TG’s “Introduction to Deferments” page at [www.tgslc.org/tgslc/borrowers/deferments.htm](http://www.tgslc.org/tgslc/borrowers/deferments.htm). Additional information about managing repayment and handling default is available in the “For Borrowers” section at [www.tgslc.org/tgslc/borrowers/index.htm](http://www.tgslc.org/tgslc/borrowers/index.htm).

For information on other options available to borrowers who are having difficulty making their loan payments, contact TG’s Default Prevention at (800) 338-4752 or send an e-mail message to [prevent.default@tgslc.org](mailto:prevent.default@tgslc.org).

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Edited by TG Communications and Policy and Regulatory Affairs.

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