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## FEDERAL UPDATES

### Record Low Interest Rates Effective July 1, 2002

With the numerous interest rate cuts that have been made by Federal Reserve chairman Alan Greenspan this year, the FFELP industry has eagerly anticipated how these cuts would translate in the determination of the July 1, 2002, Stafford and PLUS loan interest rates. The wait is over, and the rates are the lowest they have ever been in the history of the FFELP.

On July 1, 2002, interest rates on new and existing Federal Stafford, SLS, and PLUS loans that are subject to the variable rate provision will be as follows:

- Federal Stafford loans during in-school, grace, and deferment periods — 3.46 percent.
- Federal Stafford loans during repayment and forbearance — 4.06 percent.
- Federal PLUS loans — 4.86 percent.

#### Calculation of Rates

The following details apply to the calculation of rates for Federal Stafford loans:

- The loan interest rate formula is based on the bond equivalent rate of 91-day Treasury bills (91-day T-bill) auctioned at the final auction held prior to June 1.
- During in-school, grace, and deferment periods the formula is the 91-day T-bill plus 1.7 percent, capped at 8.25 percent.

- During periods of repayment and forbearance, the formula is the 91-day T-bill plus 2.3 percent, capped at 8.25 percent.

For Federal PLUS loans first disbursed on or after July 1, 1998, the interest rate formula is the bond equivalent rate of the 91-day T-bill auctioned at the final auction held prior to June 1, plus 3.1 percent, capped at 9 percent.

### **Rates not Yet Available**

Additional interest rates will be available later in June, when the rates upon which they are based will be determined.

- **Older PLUS/SLS loans:** Interest rates for older PLUS/SLS loans are based on the weekly average of the one-year constant maturity Treasury yield for the last calendar week ending on or before June 26. These rates are unavailable until the end of the month.
- **HEAL portion of Federal Consolidation loans:** The HEAL portion of Federal Consolidation loans is based on the average of the bond equivalent rates of the 91-day T-bills auctioned for the quarter ending June 30. These rates are also unavailable until the end of the month.

To access TG's annual interest rate chart for all applicable interest rates, visit [www.tgslc.org/tgslc/resources/intratechart.htm](http://www.tgslc.org/tgslc/resources/intratechart.htm).

### **Disclosing the New Interest Rates**

To satisfy the interest rate disclosure requirement, lenders and servicers may choose to send TG's Notice of Guarantee/Disclosure (NOG) to the borrower. When doing so, the lender or servicer should send the original NOG plus the Interest Rate Addendum to borrowers whose loans were guaranteed before July 1, but not actually first disbursed until on or after July 1, 2002. (Some lenders print and send their own disclosure notices.)

Lenders should also send the Interest Rate Addendum when responding to NOG reprint requests. The borrower can then use the addendum to determine the applicable interest rate formula for the loan based on the time of its guarantee, which may vary from that posted on the reprint.

TG's NOG contains an interest rate message that states, "This is a variable rate, which may change each July 1. The interest rate shown is the rate in effect at the time of guarantee." The addendum includes the new July 1, 2002, Stafford and PLUS interest rates and is available on TG's web site at [www.tgslc.org](http://www.tgslc.org). It is available in both the "For Schools" and "For Lenders" sections of the web site.

### **Questions**

For questions about the interest rate changes, call TG Customer Assistance at (800) 845-6267 or send an e-mail message to [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

## **Final Interest Reporting Rules Issued**

The Internal Revenue Service (IRS) recently released the long-awaited final rules on the reporting of qualified education loan interest payments. The rules, which reflect changes in tax law made by the Taxpayer Relief Act of 1997 (TRA) and by subsequent modifications of the TRA, provide guidance to entities that receive interest payments on qualified education loans.

The rules were initially proposed on June 16, 2000, in the *Federal Register*. The final rules incorporate several of the suggestions made to the IRS in response to this Notice of Proposed Rulemaking and clarify other issues raised in the comment process.

## Deduction Limitation Removed

The TRA allows an individual to claim an income tax deduction for interest payments made on qualified education loans. Under the original law, taxpayers were permitted to use this deduction for interest payments made only in the first 60 months of loan repayment. In 2001, however, the law was amended to remove the 60-month limitation. The final rules have been modified to reflect this change.

## Effective Dates

Payments of origination fees and capitalized interest are reported as interest payments under the final rules. Because implementation of this change will require large systems changes for some lenders and servicers, the reporting requirement will take effect January 1, 2005, for interest payments received beginning January 1, 2004.

The remainder of the final rules take effect beginning with statements required to be filed beginning January 1, 2004, for interest payments received during 2003.

## Information Reporting to the IRS

The final rules retain the proposed requirement that any lender or guaranty agency that in one year receives \$600 or more in qualified interest payments from a borrower must file an information statement with the IRS.

Any entity collecting or receiving qualified loan interest payments on behalf of a loan holder is responsible for reporting the required information to the IRS. However, if the entity receiving the payments does not possess adequate information to perform the reporting duties, the reporting burden then falls back to the loan holder.

The *Federal Register* notice containing the final rules also clarifies that additional reporting is not required for reimbursements or refunds of interest payments that have already been reported. However, corrected information returns must be filed for interest payments that were incorrectly reported in a prior year.

## Read More

The *Federal Register* notice, including background, summary, and the text of the rules, can be read online at [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2002\\_register&docid=02-9931-filed.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2002_register&docid=02-9931-filed.pdf).

## ED Releases Disability Discharge Procedures

On July 1, 2002, the procedures for processing a total and permanent disability discharge will change for the Title IV student loan programs. On May 28, ED released *Dear Colleague Letter* GEN-02-03, outlining the process flow for each of the following Title IV participants:

- Perkins school lenders,
- FFELP loan holders,
- Guaranty agencies, and
- ED.

GEN-02-03 is available at the Information for Financial Aid Professionals (IFAP) web site at [www.ifap.ed.gov/dpcletters/GEN0203.html](http://www.ifap.ed.gov/dpcletters/GEN0203.html). TG will publish more information about the new total and permanent disability discharge process flow in an upcoming edition of *Shoptalk Online*.

# TG UPDATES

## Lender Fact Sheets Now Offer Information on Special Services

TG has improved its online Lender Fact Sheets. The updated Lender Fact Sheets include information regarding special services lenders may offer, including a reduced origination fee, private loans, and e-signature. Lenders are encouraged to review their current information and submit any applicable revisions by completing the online Contact Information form.

The Fact Sheets are a service of TG that helps the student loan process run more smoothly. They provide:

- Students and families with information to help them make informed decisions about the financial service providers that can help them achieve their educational dreams.
- Schools with key information about their lender business partners, such as loan volume and loan servicing arrangements.

The Lender Fact Sheets also provide contact information and links to lender web sites. In addition, they contain information about the types of loans a lender offers, processing information, and details about servicers and secondary markets with which the lender does business.

### Locating Fact Sheets

You can find electronic versions of TG's School and Lender Fact Sheets on TG's corporate web site at [www.tgslc.org/tgslc/schlfs/New\\_lender.cfm](http://www.tgslc.org/tgslc/schlfs/New_lender.cfm). The Fact Sheets also are available on *Adventures In Education* at [www.AdventuresInEducation.org](http://www.AdventuresInEducation.org) under "Internet Resources."

### Questions

For questions about how the Fact Sheets can help families and students make more informed decisions about postsecondary education and related financial services, contact Nancy Miller at (800) 252-9743, ext. 4774, or send an e-mail to [nancy.miller@tgslc.org](mailto:nancy.miller@tgslc.org).

## TG Summer Training in the Sunshine State

TG has scheduled two summer financial aid training sessions in Florida during the month of June:

- June 20 – Jacksonville – Omni Hotel – 254 Water Street
- June 27 – Fort Lauderdale – Hilton Fort Lauderdale Airport

The events will focus on default prevention and professional development. The following sessions will be included:

- "Practical Strategies for Effective Default Aversion"  
Learn about new trends in student loans, student indebtedness, and how they affect your school. Gain knowledge on how to lower student loan default by strengthening your institution's default aversion efforts.
- "Fish – Catch the Energy. Release the Potential."  
Bring energy, passion, and a positive attitude to your work. Discover the tools and a philosophy to help lead your team toward creating a positive and productive environment.

- “Motivation: Is There a Recipe?”  
Identify environmental characteristics that foster motivation and brainstorming. Brainstorm about what employees and managers can do to incorporate these characteristics into the workplace.
- “The Building Blocks of Default Aversion”  
Find out how TG’s commitment to default aversion led to the creation of its Voluntary Flexible Agreement (VFA) with the Department of Education, a comprehensive default aversion program, innovative tools, reports, and solutions.

Each event will be held from 8 a.m. to 3:30 p.m.

## Registration

Register for either event on TG’s web site at [www.tgslc.org/tgslc/register/Florida/Reg\\_EntryForm.cfm](http://www.tgslc.org/tgslc/register/Florida/Reg_EntryForm.cfm). You can also contact Valerie Gonzalez at (800) 252-9743, ext. 2507 or at [valerie.gonzalez@tgslc.org](mailto:valerie.gonzalez@tgslc.org) to register or for answers to any questions regarding the events.

## **Edufacts™—May 2002**

Eighty-four percent of the nation’s adults age 25 and over—a record number—have at least a high school diploma. However, in 2000, only 16.1 percent earned a bachelor’s degree, and less than 10 percent continued to earn a graduate or professional degree after high school.

TG’s *May Edufacts* illustrates the record number of adults who now have a high school diploma.

High resolution files suitable for publication in school or lender internal newsletters, student newspapers, or other publications are available as a free download from TG’s web site at [www.tgslc.org/tgslc/newsroom/edufacts/index.htm](http://www.tgslc.org/tgslc/newsroom/edufacts/index.htm).

## More Information

For more information, contact Kristin Boyer at (800) 252-9743, ext. 4990 or at [kristin.boyer@tgslc.org](mailto:kristin.boyer@tgslc.org).

## Click Me In

There’s still time for you to gain valuable default prevention information during the next several weeks. TG is in the middle of its series of workshops titled “Practical Strategies for Effective Default Aversion.”

Here’s a list of the remaining workshops:

- June 12, Arlington, TX
- June 19, Amarillo, TX
- July 9, Houston, TX
- July 16, Austin, TX

You’ll find much more information about the workshops online, including online registration, at [www.tgslc.org/tgslc/Default\\_Workshops/index.cfm](http://www.tgslc.org/tgslc/Default_Workshops/index.cfm).

Visit the TG Events Calendar on a regular basis to find other events that might interest you. You’ll find the calendar online at [www.tgslc.org/tgslc/abouttg/dates.htm](http://www.tgslc.org/tgslc/abouttg/dates.htm).

## TRENDS AND ISSUES

### MYF Schedules Financial Aid and Career Planning Chat

Students and parents looking for answers to questions about planning a career or paying for education should plan to participate in a special chat event next week. “Summer Financial Aid Questions and Career Planning,” sponsored by *Mapping Your Future* (<http://mapping-your-future.org>), is scheduled for June 13, 2002.

During the chat, financial aid and career experts from across the country will answer questions to help students and their families learn more about:

- Paying for school
- Completing the FAFSA
- Determining eligibility for federal student aid
- Figuring financial need and expected family contribution
- Career planning
- Setting career goals
- Determining the best career for each individual
- Resources for additional assistance or information about careers
- Job search techniques

As with each *Mapping Your Future* chat, anyone with Internet access can participate in the event by visiting the site on the scheduled evening, selecting the chat session, and following the simple instructions. The June 13 event will be held live from 7-8 p.m. (Eastern), 6-7 p.m. (Central), 5-6 p.m. (Mountain), and 4-5 p.m. (Pacific).

Additional Chat Events are scheduled during the coming months:

- July 11, 2002, Daytime Chat—Online and Distance Education
- August 8, 2002, Evening Chat—FAFSA and College Admission
- September 12, 2002, Daytime Chat—Deferments, Forbearances, and Default Prevention

#### More Information

For more information or to inquire about serving as a counselor, contact Cathy Mueller at [cathy.mueller@mapping-your-future.org](mailto:cathy.mueller@mapping-your-future.org). Interested counselors can also sign up online under “Events” on the sponsor home page at <http://mapping-your-future.org/sponsors>.

## THIS, THAT, AND THE OTHER

A loan discharge is a release of a borrower’s obligation to repay his or her loan, either in whole or in part. ED has created loan discharges and forgiveness programs to provide debt relief to a borrower under certain circumstances, some within and some beyond the borrower’s control. Generally, discharges help borrowers who are experiencing very serious life disruptions and forgiveness programs encourage borrowers to work in certain professions while serving low-income families.

*Mapping Your Future* (<http://mapping-your-future.org>) has created a chart detailing the various types of discharge and forgiveness available under the Stafford, PLUS, and Perkins Loan Programs. The chart is available at <http://mapping-your-future.org/paying/loanForgiveness.htm>.

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week's edition:**

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*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@tgscl.org](mailto:communications@tgscl.org).

Edited by TG Communications and Policy and Regulatory Affairs.

Designed by TG Communications.

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