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FEDERAL UPDATES

Total and Permanent Disability Discharge: Informing Borrowers before July 1

Regulations pertaining to total and permanent disability (TPD) discharge are in the midst of a transition that will culminate this summer when the conditional provisions take effect and cause significant changes to the discharge process. The changes will have important implications for borrowers.

Beginning July 1, 2002, a borrower who meets the definition of total and permanent disability will no longer receive an immediate discharge. The borrower will have to wait until the end of a conditional period (which lasts for three years from the date of disability, as certified by the physician) for ED to make a final discharge.

These changes are part of a transition that began in November 2000 when the Department of Education (ED) published new regulations for total and permanent disability discharges to be implemented over a two-year period. In summer 2001, the new definition of total and permanent disability (TPD) became effective allowing totally and permanently disabled students to attend school and receive financial aid (other than Title IV loans). The 2001 changes required borrowers whose loans were discharged from July 1, 2001, through June 30, 2002, to reaffirm the loan if the student took out another Title IV loan within three years of the date that he or she became disabled, as certified by the physician.

Why a Conditional Discharge Period?

The conditional discharge period, along with already established FFELP community diligence, helps to ensure that only totally and permanently disabled borrowers will receive the discharge. During the conditional discharge period ED monitors the borrower's income and whether the borrower takes out another Title IV loan. The borrower forfeits eligibility for the discharge if, during the conditional discharge period, he or she

1. Earns more than the poverty rate for a family of two or
2. Takes out another federal student loan.

Possible Borrower Confusion

A borrower receiving the current TPD Cancellation Request form may not be aware of the upcoming changes to the discharge process. Consequently, if the current form is processed after July 1, 2002, the borrower may be confused when he or she is subject to the three-year conditional discharge period.

Immediate Action to Help Borrower

As a lender or servicer, over the next few weeks, you may take several steps to help your customers understand the new TPD provisions.

- When speaking to borrowers, you can stress the importance and explain the possible benefits of quickly completing and returning the discharge form.
- To help borrowers understand the changes to the TPD process, NCHELP created a Supplemental Information sheet that explains these changes and the consequences if the TPD Cancellation Request form is processed on or after July 1, 2002. You are strongly encouraged to include this information sheet with any TPD Cancellation Request form you send out. The Supplemental Information sheet is located at www.tgslc.org/tgslc/forms/discharge_supp.pdf.
- Finally, take extra care to complete the processing of TPD Cancellation Requests in progress *before* July 1, 2002.

FFELP Implementation Guidelines

ED recently published Dear Colleague Letter GEN-02-03, concerning implementation of the new TPD process. Detailed information addressing the new process will be published in an upcoming edition of *Shoptalk Online*.

More Information

For more information about the TPD regulations published in November 2000, see the article in January 2001 *Shoptalk Online*, Edition 113 entitled "Final Rules Issued November 1, 2000" at www.tgslc.org/tgslc/shoptalk.

Closed School Corner

NEWLY REPORTED CLOSURES				
OPE ID#	SCHOOL NAME	SCHOOL ADDRESS	UNOFFICIAL CLOSURE DATE	ED'S OFFICIAL CLOSURE DATE
03003800	Anderson County Beauty College	217 West Oak Palestine, TX 75801-2791	N/A	12/13/2001
02097400	Audubon College	3901 Tulane Ave. New Orleans, LA 70119	N/A	10/25/1989
01308400	Bailie School of Broadcast	1100 Stout St. Denver, CO 80204	N/A	8/23/1989
01135600	International Training Center	928 Market St. Philadelphia, PA 19107	N/A	4/2/1990
01261400	Lee's International School of Beauty	15015 Main St. #209 Bellevue, WA 98007	N/A	7/1/1989
02099000	RETS Institute of Technology	1606 Laskey Rd. Toledo, OH 43616	N/A	6/30/1994
01302405	Riley College	201 S. Alabama St. Columbus, MS 39702	N/A	10/8/1992
01302407	Riley College	1420/22 East Park Ave. Valdosta, GA 31601	N/A	9/30/1992
ERROR CORRECTIONS				
OPE ID#	SCHOOL NAME	SCHOOL ADDRESS	PREVIOUSLY REPORTED CLOSURE DATE	ED'S OFFICIAL CLOSURE DATE
01284604	*Lawton School for Medical and Dental Assistants	101 Marietta St. NW Atlanta, GA 30303	3/29/1991	None
* ED removed this school from the Cumulative List of Closed Schools. The school merged with OPE ID# 03028300. Therefore, the action under this ID was a change of affiliation rather than a closure.				

TG POLICIES

TG Announces New Consolidation Loan Policy

In an effort to offer greater flexibility and choice to student borrowers and families, TG is pleased to announce a policy revision regarding education loan consolidation. This change will expand consolidation options for students—especially those students who have attended an institution during or after a transition from the Federal Direct Loan Program (FDLP) to the Federal Family Education Loan Program (FFELP).

The new policy applies to Consolidation Loans disbursed on or after June 11, 2002, and states:

- TG will guarantee a Consolidation Loan if the consolidation includes at least one Federal Direct Loan (without requiring an underlying loan guaranteed by TG).

TG continues its existing policy for Consolidation Loans that *do not include* a Federal Direct Loan. The existing policy states:

- TG will guarantee a Consolidation Loan if the consolidation includes at least one underlying loan guaranteed by TG.
- TG will guarantee a Consolidation Loan for spouses (Spousal Consolidation) without requiring an underlying loan guaranteed by TG.

Students attending schools returning to the FFELP from the FDLP may have loans from both programs. TG is pleased that, along with our partners in the FFELP community, we can expand students' choices to help them realize their educational and career dreams and successfully repay their loan obligations.

Questions

For questions about TG's Consolidation Loan Policy, contact Customer Assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

TG Announces G-date for Claim Filing

TG has selected September 30, 2002, as its G-date, or the date on which it will begin trading Common Claim Initiative (CCI) records for claim filing via Common Account Maintenance (CAM).

CCI establishes new, standard formats for lenders to use when requesting claim reimbursement. The new Claim Form and corresponding CAM records are designed to permit a lender to file a claim reimbursement request in a single format with any guarantor and to improve operational efficiencies for lenders and servicers that have relationships with more than one guarantor.

TG selected its G-date in accordance with the implementation schedule for CCI reporting approved by the *Common Manual* Governing Board. TG's G-date meets the Governing Board requirement that guarantors establish their G-date at least six, but not more than fifteen, months after publication of the final CAM documentation (published July 1, 2001). Lenders and servicers who file claims with TG have a window of nine months from TG's established G-date to begin using CCI record formats for claim filing.

TG intends to accept CAM claim submittals in either FTP or POP3 format. All lenders and servicers wishing to use the CAM format for claim filing will be required to successfully complete a testing period with TG prior to implementation.

Helpful Tips

When preparing for your transition to CCI, it would be helpful for you to remember the following items:

- TG will no longer accept its Application for Claim Payment form after July 1, 2003.
- TG will no longer accept claim submittals via CAPS after September 30, 2003.
- When filing a CCI claim, you no longer need to provide a servicing or payment history.
- If you wish to file claims using the paper version of the CCI Claim Form, TG is ready to begin accepting that form immediately.

- Effective on the date your organization begins filing CCI claims, TG will require separate claims for subsidized and unsubsidized Stafford loans, as well as for loans with different interest rates.

The new Claim Form is available for downloading and printing on TG's web site at www.tgslc.org/tgslc/forms/claim.pdf.

Questions

For questions regarding TG's G-date for CCI claim filing, contact Rinn Harper or Ron Stroud in TG Claims at (800) 252-9743 or send an e-mail to either rinn.harper@tgslc.org or ron.stroud@tgslc.org.

TG Announces Revised Policy on Indemnification Agreements

Effective immediately (as allowed in subsection 8.3.B of the *Common Manual*), TG Claims will accept a signed, notarized indemnification agreement for the purpose of claim filing on a loan for which the original promissory note is required but is lost, missing, or damaged.

The indemnification agreement is a form intended for use in exceptional circumstances only and is not to be used in lieu of searching for a note. The form must be signed by an authorized officer of the lender, or the lender's agent, and must be properly notarized. It must also be accompanied by supporting documentation to validate the debt. Also, if the original promissory note is ever found, the lender must agree to immediately provide the note to TG.

TG reserves the right to request, at any time, the damaged promissory note, if available, or other documentation to substantiate the debt. In addition, should TG or the Department of Education subsequently determine that the note is uninsurable, unenforceable, or otherwise uncollectible, the lender may be required to repurchase the note at par, plus accrued interest thereon.

Questions

For questions concerning the indemnification agreement, or to request a copy of the form itself, contact Rinn Harper or Ron Stroud in TG Claims at (800) 252-9743 or send an e-mail to either rinn.harper@tgslc.org or ron.stroud@tgslc.org.

Common Supplemental Claim Form Improves Efficiencies

Effective July 1, 2002, TG Claims will require use of the common Supplemental Claim Form for requests to increase a claim payment amount. As of that date, TG will no longer accept its proprietary Application for Supplemental Claim Payment form.

The common Supplemental Claim Form is a part of the Common Claim Initiative (CCI). CCI establishes new, standard formats and reason codes for lenders to use when requesting supplemental claim reimbursement. The new Supplemental Claim Form mirrors the CCI Claim Form and is designed to permit a lender to file a supplemental claim request in a single format with any guarantor and to improve efficiencies for lenders and servicers that have relationships with more than one guarantor. Because of the nature of this process, the form is available in paper form only.

The common Supplemental Claim Form sets a minimum requirement of \$50 for filing. As with previous supplemental claims, the new form must be filed within 90 days of the receipt of claim payment. The common form is available for downloading and printing on TG's web site at www.tgslc.org/tgslc/forms/suppclaim.pdf.

Questions

For questions regarding the Supplemental Claim Form, contact Rinn Harper or Ron Stroud in TG Claims at (800) 252-9743 or send an e-mail to either rinn.harper@tgslc.org or ron.stroud@tgslc.org.

TG UPDATES

TG Launches Pre-delinquency Call Center, Advances VFA

Success in preventing default has helped spark a variety of creative ideas to help borrowers successfully manage student loan repayment. The result of one such idea is TG's Pre-delinquency Call Center, which extends TG's repayment counseling to full life-of-the-loan support. The Center, intended to strengthen the results of TG's Voluntary Flexible Agreement (VFA), began on June 10, 2002.

The new effort includes a counseling team that supports borrowers who have separated, withdrawn, or graduated from school. In addition, a pilot program delivers withdrawal information to the team much earlier than it is customarily available, enabling counselors to work closely with those borrowers at greater risk for delinquency and default.

The goal of the Center is to present borrowers with repayment information as soon as they leave school—"just-in-time" contact.

"What we're providing is grace counseling," said Shelia Dunlap, Assistant Vice President, TG Default Prevention. "We will make borrowers in grace aware of the options available to them to help them avoid delinquency and default." The importance of presenting information to borrowers close to the time they will actually use it is consistent with discussions among the financial aid community participants at the recent Negotiated Rulemaking sessions.

How Delinquency Prevention Works

The Center includes four full-time, pre-delinquency counselors, three of whom are bilingual, who contact borrowers who have recently separated from school. The counselors steer borrowers toward making good decisions about managing their debt early in the process and encourage them to contact TG for help in managing their student loans.

Using an Interactive Voice Response system, at (800) 338-4752, TG's team of counselors identifies a caller's loan status and routes non-delinquent borrowers directly to the pre-delinquency team. This enables counselors to appropriately target their message to the particular borrower's situation.

Reaching borrowers before they become delinquent offers a variety of benefits:

- The borrower is better prepared to plan for timely repayment.
- If the borrower is experiencing hardship, the borrower can learn about options for avoiding delinquency and make arrangements to delay repayment, such as requesting a deferment or forbearance.
- The withdrawn borrower receives re-enrollment information, which may help prepare him or her to meet future obligations.
- The borrower can avoid the stigma of delinquency.
- The borrower can prevent damage to his or her credit history.
- In addition, schools benefit when delinquency prevention results in fewer defaults.

Expert Advice

The team's pre-delinquency prevention counselors have received TG's customary training in default prevention tactics, sound repayment practices, and the entire loan process. In addition, they have spent time in admissions offices learning how the admissions and withdrawal processes work.

Such in-depth preparation means that the counselors are prepared to address numerous scenarios.

"Borrowers withdraw for a variety of reasons," Shelia said. "Sometimes they run into monetary problems; sometimes the school in which they're enrolled isn't a good fit for them. Our counselors are trained to address whatever situation the individual borrower is facing and help that borrower figure out how to approach it in the best way available."

One option for withdrawn borrowers is to return to school. The pre-delinquency counselors are prepared to help borrowers who have fallen below half time or who are no longer enrolled to return to school on at least a half-time basis when feasible.

"Generally, we encourage borrowers to re-enroll. Sometimes that may mean returning to their original school," said Shelia. "But the training the counselors have received allows them to help the borrower think about other schools, if necessary, including other types of schools, as options."

Pilot Schools

As part of the team's efforts to identify separated borrowers, TG has also entered into a unique pilot program with 12 schools that offers potential benefits for everyone involved. The 12 schools, which include several Historically Black Colleges and Universities in Texas and other schools represented on the Council for the Management of Educational Finance, have agreed to share withdrawal information with TG much earlier than it is traditionally available.

As soon as the schools identify a borrower who has withdrawn, the schools update their information so that TG has access to the latest data. The pre-delinquency team can then contact the borrower as soon as possible, early in grace, and provide him or her with the information needed to begin repayment on time, delay repayment if appropriate, or return to school before the borrower's grace period ends.

"As part of the pilot program, we will contact the borrower once a month for six months," said Dunlap. "We'll send them letters and make phone calls to encourage them to find out what their options are and we'll supply them with the resources they need to manage their debt."

More Information

The Pre-delinquency Call Center team can be reached at (800) 338-4752 Monday through Thursday from 10 a.m. to 7 p.m. (Central) and on Friday from 8 a.m. to 5 p.m.

As TG measures the effectiveness of its VFA, the success of the Center will be determined by TG's ability to prevent borrowers from becoming delinquent. TG's VFA is available online at www.tgslc.org/tgslc/vfa/index.htm.

For more information about the center, or for information about TG's default prevention efforts and resources, contact Shelia Dunlap at (800) 252-9743, ext. 4642 or at shelia.dunlap@tgslc.org.

2002 *Common Manual*—Upcoming Release

The 2002 edition of the *Common Manual* will soon be available to customers, as well as updates to the various electronic formats introduced last year—the online *Integrated Common Manual* (ICM) and the updated desktop reference library, the *e-Collection* on CD-ROM.

A preview edition of the updated *Common Manual* is currently on TG's corporate web site at www.tgslc.org/tgslc/schools/integrated_online_manual.htm.

The 2002 version contains all new policies approved since July 2001. A summary of the new policies and other changes is included in the manual.

In the 2002 version, the common forms from appendix F were removed and are now available online. This change ensures that customers have access to the most current forms throughout the year. An overview of the common form development process and information for locating the most current version of the forms is contained in new subsection 2.3.C of the manual. Instructions for locating the forms are also available in appendix F; customers can download the forms from TG's corporate site at www.tgslc.org/tgslc/forms/index.htm.

The manual also contains newly updated information in appendix H, which is a history of student loan policy changes since 1965.

Integrated Common Manual

Two years ago, TG debuted the *Integrated Common Manual* as a new product. With this version of the manual, customers no longer need to deal with paper or binders or sacrifice valuable desk space. Instead, the manual is available at your fingertips right on your computer's desktop. The best part is that the ICM is updated monthly with the most recently approved *Common Manual* policy changes. To download the ICM, go to www.tgslc.org/tgslc/schools/integrated_online_manual.htm.

Paper Common Manual

The 2002 paper version of the manual will be available by July 1 to customers who still require paper copies. Because of extensive changes throughout the year, the manual is being reprinted in its entirety. Customers will need to place the updated pages within their *Common Manual* binders, and as always, it is a good idea to archive the pages you replace.

CD-ROM Versions

The *e-Collection* CD-ROM is a complete electronic reference resource containing the *Electronic Common Manual* as well as the following additional features:

- National Council of Higher Education Loan Programs (NCHELP) Topical Index
- NCHELP Integrated Regulations (Parts 600, 668, and 682)
- Higher Education Act (all parts)
- 2001-2002 *Student Financial Aid Handbook*
- Common Forms (loan origination forms, Return of Title IV Funds Worksheets, deferment forms, claim forms, and loan discharge forms)
- Dear Colleague Letters and Announcements

To order the *e-Collection* CD-ROM, contact TG Customer Services at (800) 252-9743, ext. 4546, or send an e-mail message to customer.services@tgslc.org.

Questions

If you are scheduled to receive a paper copy of the 2002 *Common Manual* but do not receive it by the first week of July, contact TG's Customer Services Forms Coordinator at (800) 252-9743, ext. 4546, or send an e-mail message to customer.services@tgslc.org.

TRENDS AND ISSUES

Tuition Plans Offer Options for College Savings

Qualified Tuition Programs (QTPs) are commonly referred to as “529 plans,” after the section of the IRS code that provides the plan’s special tax breaks. A “529 plan” helps families and individuals prepare for the future costs of a college education.

There are two types of 529 plans: prepaid tuition plans and college savings plans. With prepaid tuition plans, a parent, grandparent, friend, or business (actually any person) saves money to pay future in-state tuition and required fees at any public college or university at today’s prices. With college savings plans, a participant uses his or her plan funds for college expenses at most accredited postsecondary institutions. Some states offer one plan or the other, while other states offer both plans. (Some plans allow participants to use funds for accredited vocation and international colleges.)

Prepaid Tuition Plans

As the name implies, a prepaid tuition plan allows residents a way to “lock in” future tuition and required fees at today’s prices. Contributions made now purchase a certain amount of tuition and required fees at a later date at a specified list of schools. Plans in some states allow participants to transfer the value of their prepaid contract to private and out-of-state schools.

Below are just a few of the advantages and disadvantages of prepaid tuition plans:

Advantages

- The state guarantees the value of the investment to meet or exceed annual in-state public college tuition.
- The program has little risk for the participant.
- Taxes are deferred until earnings are withdrawn.
- Earnings are taxed to the designated beneficiary rather than the account owner to the extent that the withdrawal is used to pay for qualified higher education expenses.
- Contributions may qualify for gift tax exclusion.

Disadvantages

- The plans are limited to state residents.
- If the beneficiary decides to attend a private or out-of-state college or university, the plan may not cover all tuition and fees.
- If a contract is terminated, refunds of earnings are subject to penalties and other applicable fees.
- Plan distributions are considered financial resources that reduce the beneficiary’s overall financial need for the purposes of financial aid packaging.
- Generally, plan funds are only applied to tuition and fees. However, some plans do allow funds to be used for other expenses such as room and board, course fees, and books.

College Savings Plan

College savings plans let parents use their plan funds for college expenses at any college.

Below are just a few of the advantages and disadvantages of college savings plans:

Advantages

- Investments grow tax free for as long as money stays in the plan. Distributions made between 2002 and 2010 will be tax free. After 2010, qualifying distributions will be taxable to the beneficiary unless Congress extends this tax break.
- Plan assets are professionally managed either by the state treasurer's office or by an outside investment company appointed as the program manager. The benefactor can switch investment options within the same plan once per year or roll over one 529 plan into another once per year.
- The benefactor has sole responsibility for the 529 plan. He or she decides when withdrawals are to be made and for what purpose.
- The beneficiary can attend any accredited college in the United States and many institutions abroad.
- Benefactors can change beneficiaries as often as they like, provided that the subsequent beneficiary is directly related to the original beneficiary.
- Contribution limits per beneficiary are substantially high.

Disadvantages

- Since the investment is directly related to the stock market, the fund has the potential to lose money.
- Financial firms do not have to disclose fund performance, costs, or risk when advertising.

Plan Details

Each 529 plan has its own set of rules and restrictions, which are subject to change. To help you and potential plan participants find out more about specific plans, the National Association of Student Financial Aid Administrators (NASFAA) has created a chart that indicates which plans each state offers. The chart includes information about whether the plans involve any application or enrollment fees, whether the programs are portable or not, and if they cover more than tuition and fees. The chart is available online at www.nasfaa.org/PDFs/2002/csp0202.pdf.

Texas offers its residents a prepaid tuition plan, the Texas Tomorrow Fund (www.texas tomorrowfund.org) and is in the process of developing a college savings plan, which may be available as early as the fall of 2002.

To help you decide which plan option is right for you, the Motley Fool, a multimedia financial education company, offers a College Savings Plan comparison chart online at www.fool.com/csc/compare.htm.

More Information

For more information on 529 plans, contact the Texas Financial Aid Information Center toll free at (877) 782-7322 or visit the following web sites:

- The College Board at www.collegeboard.com
- Saving for College at www.savingforcollege.com

THIS, THAT, AND THE OTHER

The "2000-2001 Title IV/Federal Pell Grant End of Year Report" is now available on the Office of Postsecondary Education web site at www.ed.gov/offices/OPE/Data/2000-2001-Pell.pdf. The 132-page report offers details about numerous aspects of the program including data that looks at institutional characteristics, individual states, and demographic information about recipients.

According to the report, the number of Pell Grant applicants during the 2000-2001 school year increased by over 2 percent, and the number of recipients increased by over 3.6 percent. The

amount of the average Pell Grant award increased from \$1,915 to \$2,040 from the previous year, and total expenditures for the program increased 10.4 percent to \$7.96 billion.

Reports from previous years are also available online at www.ed.gov/offices/OPE/Data/.

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