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FEDERAL UPDATES

New Disability Discharge Form Approved

ED recently published Dear Partner Letter GEN-02-04 announcing approval of the new form Loan Discharge Application: Total and Permanent Disability. The new form implements changes, effective July 1, 2002, to the total and permanent disability discharge process.

The new form should be distributed and used in response to borrower requests on or after July 1, 2002. A lender may process the form that was previously approved for this discharge type (which is entitled Total and Permanent Disability Cancellation Request) if it is received after that date. However, lenders should be careful to ensure that a previously approved form is processed using the regulatory provisions applicable to the date that the lender makes its preliminary determination of the borrower’s eligibility.

Additional Information

For more information about new total and permanent disability discharge provisions, see the following articles:

- “Final Rules Issued November 1, 2000,” *Shoptalk Online*, Edition 113 at www.tgslc.org/tgslc/shoptalk/2001/st113/st11312.htm;
- “Total and Permanent Disability Discharge: Informing the Borrower before July 1,” *Shoptalk Online*, Edition 158 at www.tgslc.org/tgslc/shoptalk/2002/st158/st15801.htm#tpdd; and

- “Total and Permanent Disability Discharge Procedures,” *Shoptalk Online*, Edition 159 at www.tgslc.org/tgslc/shoptalk/2002/st159/st15901.htm#tpdd.

To download the new form, visit TG’s corporate web site at www.tgslc.org under “Forms.”

TG to Participate in National Default Prevention Day

On August 1, 2002, ED, in partnership with the student loan community, will host its annual National Default Prevention Day. The event promises a full agenda of valuable information centered on the goal of keeping borrowers out of default.

National Venues

Training sessions will be held in 12 locations across the United States and in Puerto Rico. The sessions will explore best practices, analyzing demographic data, possible changes to packaging and awarding philosophies, and tracking and projecting default rates. Participants will learn how to select from the tools available and apply them effectively.

TG Invited to Participate

TG is pleased to have been invited to present the session on “Default Prevention through Innovation and Partnership” at the Atlanta, Georgia, venue and is encouraging industry partners who have a role in default prevention and in the delivery of Title IV funds to attend. The session will provide an exchange of default prevention ideas involving early intervention strategies, cohort default rate reduction, partnership, and media relations.

School Reports

This is the second year for the event and the first to include a report from ED that is tailored for each school attendee. The report includes a synopsis of the school’s cohort default rate and a chart that shows the potential reduction in default rates that could result from a decrease in the number of borrowers in default. Also included will be data about schools of similar size, type, and location, enabling each school to compare itself with others.

Registration

ED asks interested participants to make reservations promptly as the seating capacity of each training facility is limited. Online registration is available at www.ifap.ed.gov/eannouncements/attachments/0429atlantaNDPD.htm through July 1, 2002. On-site registration is not available. There is no charge to participate.

Interest Reporting Clarification

In the June 4, 2002, issue of *Shoptalk Online*, in the article titled “Final Interest Reporting Rules Issued,” TG stated that the requirement for institutions to report origination fees and capitalized interest will take effect January 1, 2005, for interest payments received beginning January 1, 2004.

The article should have specified that the reporting requirements will take effect January 1, 2005, only for interest payments received on loans made on or after January 1, 2004. Institutions will not be required to report such payments for any loans made before January 1, 2004. TG regrets any confusion this may have caused.

TRENDS AND ISSUES

Child Care Provider Loan Forgiveness Program Q&A

The following questions and answers help to clarify some details relating to the Child Care Provider Loan Forgiveness Program:

Q: Where can a borrower obtain a Child Care Provider Loan Forgiveness Application or Child Care Provider Loan Forgiveness Forbearance Form?

A: The forms can be downloaded from TG's corporate web site at www.tgslc.org/tgslc/forms/frms_childcare.htm. Although the forms have an expiration date of 1/31/2002, they are still valid for applicants to use for fiscal year (FY) 2002. ED is in the process of revising the forms and is currently accepting the "expired" versions.

Q: How much money has been allocated to this program for FY 2002?

A: Congress allocated \$1 million for this program for this year—the same amount as was allocated for FY 2001.

Q: How is the program being administered this year?

A: Just as in FY 2001, ED continues to administer the program on a first-come, first-served basis. Borrowers send their applications directly to ED at the address provided on the form. Borrowers who have questions about the application process can call ED's toll-free support desk at (888) 562-7002.

Q: What kind of degree or certificate must a borrower have to qualify for Child Care Provider Loan Forgiveness?

A: An eligible borrower must have an associate's or bachelor's degree in early childhood education, child care, or other educational area that ED deems appropriate.

Q: Is there any limit to the total loan balance that a borrower may have forgiven?

A: No dollar limit has been published in statute or in documentation provided by ED. In order for a qualified borrower to receive forgiveness for a particular loan amount, however, adequate funding must be available. If all or almost all of the funds appropriated for a fiscal year have already been utilized, a borrower may not receive forgiveness for his or her total loan balance.

Q: Does the borrower have to apply for forgiveness year after year or can he or she wait until after the fifth year of service and apply for forgiveness of the borrower's total loan balance?

A: This question does not appear to have been answered yet in publications concerning this program; however, it may be unwise for a borrower to wait until after the fifth year of service to apply for forgiveness for a couple of reasons. First, this program is being administered on a first-come, first-served basis, and those borrowers who qualify this year will receive priority for forgiveness in future years. Second, any payment the borrower makes on his or her loans is nonrefundable at the time of forgiveness. Unless the borrower is diligent about requesting a Child Care Provider Loan Forgiveness Forbearance each year, the borrower may inadvertently make payments that he or she will never recover if forgiveness is granted.

Q: Does a borrower's Child Care Provider Loan Forgiveness Forbearance for year one place the borrower in line for forgiveness?

A: Not necessarily. As a matter of fact, the borrower must certify, at the time he or she completes a forbearance request, that the borrower is aware that receiving the forbearance is not a guarantee that the forgiveness will be granted.

COMMON MANUAL

Common Manual Updates

Department of Education Clarification on Implementation of Total and Permanent Disability Discharge Requirements

In May 2002, the Department of Education (the Department) issued Dear Colleague Letter GEN-02-03 which provides clarification regarding the implementation of the total and permanent disability discharge regulations that are effective July 1, 2002. The guidance from the Department modifies the applicable effective date and triggering event of these requirements by specifying that the new regulations are generally based upon the lender's determination of the borrower's eligibility for discharge, rather than the date the lender receives a borrower's completed request.

The effective date/trigger event for *Common Manual* policy changes to chapters 8 and ^{CCI}8 have been modified to conform to the Department's guidance. The "Changes to Effective Date/Trigger Events" Matrix (www.tgslc.org/tgslc/schools/pdf/TPDchart2.pdf) shows the *Common Manual* affected policies along with the previous effective date/trigger event and the new effective date/trigger event for July 1, 2002. In addition, a technical correction has been made under the subheading "Conditional Discharge Due to Total and Permanent Disability" of subsections 8.2.C and ^{CCI}8.2.C to coordinate with the effective date/trigger event revision. These changes will appear in the July 2002 *Integrated Common Manual*.

THIS, THAT, AND THE OTHER

A random sampling of admissions directors at U.S. colleges and universities was asked to respond to a recent survey regarding admissions trends from the National Association for College Admission Counseling (NACAC). The results show some interesting trends, including the following:

- A reported increase in the number of freshman applications from 81% of the responding institutions
- An increase in the number of requests for financial aid from 66% of the respondents
- Increased concern about cost and/or financial aid from parents and students
- An increase in the number of in-state applications
- A reported decrease in the number of international applications from some responding institutions

The snapshot attributes, at least in part, some of the trends to the September 11 terrorist attacks and the sagging economy.

The NACAC "2002 Admission Snapshot" (available online at www.nacac.com/research_trends_snapshot.html) was distributed to 250 directors of admission in early May 2002. It will be followed by the more comprehensive 2002 NACAC Admission Trends Survey, scheduled for release next fall.

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