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FEDERAL UPDATES

Deferment Forms Extended

The U.S. Office of Management and Budget (OMB) has extended the expiration date for the FFELP deferment forms. The forms were set to expire June 30, 2002, but have been extended for three months to September 30, 2002.

The deferment forms, which all have OMB number 1845-0005, include the following:

- In-School Deferment Request (SCH)
- Education Related Deferment Request (SCH)
- Unemployment Deferment Request (UNEM)
- PLUS Borrower with Dependent Student Deferment Request (PLUS)
- Economic Hardship Deferment Request (HRD)
- Temporary Total Disability Deferment Request (TDIS)
- Parental Leave/Working Mother Deferment Request (PLWM)

- Public Service Deferment Request (PUB)

Interested parties may download the forms from TG's corporate web site at www.tgslc.org/tgslc/forms/frms_def.htm.

Questions

For questions about this extension or about the deferment forms themselves, call TG Customer Assistance at (800) 845-6267, or send an e-mail message to cust.assist@tgslc.org.

Total and Permanent Disability Discharge Q&A

The following Q&As are taken from a document published by the National Council of Higher Education Loan Programs (NCHELP) entitled "Total & Permanent Disability Outstanding Industry Issues: DCL GEN-02-03." The document was compiled based on industry consensus concerning issues related to the new total and permanent disability discharge procedures effective July 1, 2002.

ED released the DCL (Dear Colleague Letter) referenced in the Q&As in May 2002. GEN-02-03 is available on the Information for Financial Aid Professionals (IFAP) web site at www.ifap.ed.gov/dpccletters/GEN0203.html.

Implementation/Triggering Event

Q: What is the actual triggering event for implementation of the new rules?

A: Current rules continue to apply for disability determinations made by the loan holder prior to July 1, 2002. The new regulations apply to all disability determinations made by the loan holder on or after July 1, 2002.

In the case of a loan held by a lender, the lender must make its determination and *clearly identify* the determination date on the disability form when the disability claim is submitted to the guarantor to ensure that loans for which a disability determination was made prior to July 1 will be paid as a "final" discharge.

Note: Please refer to *Shoptalk Online* Edition 159 (www.tgslc.org/tgslc/shoptalk/2002/st159/st15901.htm#tpdd) for a more detailed explanation of the transition to the new regulations.

Preliminary Determination Letter

Q: DCL, Section III: The DCL states, "The loan holder must, in the preliminary determination letter, inform the borrower that the regulations governing disability discharges have changed and explain the new total and permanent disability eligibility criteria and discharge process." It is our understanding that the Supplemental Information Sheet was designed for use in conjunction with the current form to disclose this information to the borrower. If the lender sent the Supplemental Sheet with the current application form, do they have to re-disclose this information? If so, can they use the Supplemental Sheet?

A: The Supplemental Information Sheet was not developed as a notification letter, but rather was designed for use with the current disability form to outline changes in the disability process. After the disability claim has been paid, the lender has certain notification requirements such as advising the borrower that the loan will be referred to ED [§682.402(c)(8)] and informing the borrower that ED will be requesting information on employment income during the conditional discharge period [DCL GEN-02-03, Attachment 2, Section (I)B.2.]. These disclosure requirements apply regardless of which discharge form is used and whether or not a Supplemental Information Sheet was provided to the borrower. The Supplemental Sheet, as a stand-alone document, would not meet all

of these requirements. However, the Supplemental Sheet could be used in conjunction with a letter to provide all of the required information to the borrower.

Discharge Review

Q: DCL, Section IV: ED expects loan holders and guaranty agencies to conduct rigorous evaluations of disability discharge requests by following the guidance provided in DCL 99-G-324. The DCL also states loan holders may want to seek the assistance of a qualified physician. Does this mean that new or different review procedures are now required?

A: No. Loan holders and guarantors should already be following the guidance from the 1999 DCL. The 2002 DCL does not require more stringent review procedures, nor does it allow for more lenient review procedures. Instead, the DCL simply reiterates the guidelines described in DCL 99-G-324. As long as the loan holder or guarantor is complying with the regulations and the previous DCL guidance, no change should be needed to the review procedures.

Contact Information for Borrowers' Use

Q: Attachment 2, Item (I) B.2.: The DCL requires the loan holder to notify the borrower that the loan will be assigned to ED for review. To prevent calls to the lender on the status of ED's review, it would be beneficial to have a phone number that the borrower should use if he has any questions.

A: ED has indicated that a toll-free number, (888) 636-6401, was activated on July 1, 2002. It should be noted, however, that in all cases there will be a "lag time" while the guarantor is filing for reinsurance and waiting for reinsurance to be paid during which no one will have any updated information to provide to the borrower. During this time, referring the borrower to ED's Disability Discharge Operating Unit will likely only cause frustration to the borrower because the Operating Unit will not have received the loan assignment and will therefore be unable to address any questions. According to the procedures outlined in Attachment 3 of the DCL, the Operating Unit will send a letter to the borrower advising of the disposition of their review and providing a phone number to use if a borrower has questions.

Until such time as the borrower receives notification from the Operating Unit, lenders and guarantors should reassure the borrower that the loan has been assigned to ED, that ED will notify the borrower of the results of their review, and that no payments are required until and unless ED instructs them otherwise.

Copies of Notification Letters

Q: Attachment 3, Items (I) A. & B., Items (II) B. & C.: ED will copy the previous loan holder on the letter to the borrower advising of approval or denial of conditional discharge, which will include a contact number at ED. However, in all cases, the previous holder would be the guarantor. If the guarantor has the contact number, should the lender advise the borrower to contact the guarantor for information on the status of the loan prior to the borrower receiving a copy of the letter?

A: As noted in an earlier question, there will be a "lag time" while the guarantor is filing for reinsurance and waiting for reinsurance to be paid during which no one will have any updated information to provide to the borrower. Until such time as the borrower receives notification from ED's Disability Discharge Operating Unit regarding the disposition of their disability review, lenders and guarantors should reassure the borrower that the loan has been assigned to ED and that no payments are required until and unless ED instructs them otherwise.

Q: Attachment 3, Items (I) A. & B., Items (II) B.& C.: Why will the Operating Unit be sending copies of letters to the prior loan holder? Since eligibility requirements can be reported and viewed on NSLDS, are these letters provided to the prior loan holder so that those entities who do wish to be kept informed can receive this information?

A: There are some members of the community (including schools, in the case of a Perkins loan) who expressed concerns to ED about being kept updated regarding the disability status. It would seem that providing a copy of the borrower letter is ED's resolution to these concerns. Since there are some entities that do wish to be kept informed regarding the disability status, ED's Disability Discharge Operating Unit will likely follow the same processes for all disability loans rather than attempting to develop differing procedures based on whether or not the prior holder wishes to be notified.

Questions

For questions about the new total and permanent disability discharge process, contact TG Customer Assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgsic.org.

Borrower Inquiries Regarding Consolidation

Now that the new student loan interest rates have become effective (as of July 1, 2002), the industry is poised for the inevitable surge in Federal Consolidation loan requests. As a result of this increased interest in consolidation, TG has received several questions from borrowers regarding consolidation that *Shoptalk Online* would like to highlight below.

Q: All of my loans are with one lender. Do I have to go to that lender to consolidate?

A: If a borrower has FFELP loans held by a single lender, the borrower must request consolidation from that lender. So, for example, if a borrower has all of his or her loans with Bank A, the borrower must request consolidation from Bank A. The borrower may go to a lender other than Bank A only if the borrower certifies one of the following:

- That the borrower sought and was unable to obtain a Federal Consolidation loan through the holder of the borrower's FFELP loans.
- That the holder was unable or unwilling to provide a Consolidation loan to the borrower with an income-sensitive repayment schedule.

Q: I have loans with several different lenders and I want to consolidate. Which lender should I pick?

A: If a borrower (or either spouse in the case of a married couple) has FFELP loans held by multiple lenders, the borrower can request consolidation from any lender participating in the Federal Consolidation Loan Program. The borrower with multiple lenders doesn't even have to have a loan with the lender that he or she chooses for consolidation. So, for example, if a borrower has loans with Bank A, Bank B, and Bank C, the borrower may choose to consolidate with Bank A, B, or C, or even Bank D. It might be best, however, for the borrower to contact his or her current lenders first, since the borrower already has an established relationship with them.

Q: If I am currently receiving a deferment (for example, due to unemployment) and I apply for a Consolidation loan, will the interest rate for my loan be calculated using the interest rate I'm being charged while in the deferment status?

A: Yes. Interest accrues at a lower rate during in-school, grace, and deferment periods, so if the borrower is in a deferment status at the time the Consolidation loan is made, the weighted average of the underlying loans will be calculated using the lower rate. And although the borrower's current deferment expires when a new Consolidation loan is made, the borrower

can apply again for the deferment under the new loan, provided the deferment is authorized for Consolidation loans.

More Information and Questions

More information regarding Consolidation loans is available in chapter 9 of the *Common Manual* and in the Code of Federal Regulations [34 CFR 682.201(c)]. For questions about Federal Consolidation loans, contact TG Customer Assistance at (800) 845-6267 or send an e-mail to cust.assist@tgslc.org.

TG UPDATES

It's No Secret: TG Jazzed Up for the NASFAA Conference

TG team members are scrambling around like crawfish making preparations for the NASFAA Conference 2002, *Jazzing It Up in the Big Easy*, in New Orleans from July 21-24. As part of our plans, we've posted a special recipe along with a secret ingredient on our web site. You'll need to know the secret to obtain your special conference gift. So before you head off to New Orleans, take some time to retrieve the secret ingredient.

Retrieving the Secret Ingredient

Visit TG's corporate web site at www.tgslc.org. When the pop-up window appears, click "Yes" and follow the directions. You'll find the secret ingredient—as well as the entire recipe for TG's Choice Gumbo.

To receive your conference gift, go by TG's booth at NASFAA (#2049 and #2050 on the 3rd floor of the Marriott) and mention the secret ingredient or bring a copy of the secret ingredient page with you. While you're there, you can learn about the variety of choices TG offers to help make your workflow more efficient, provide the information you need, and improve your disbursements and default prevention efforts.

Jazzy Sessions

TG representatives are also making plans to jazz up some conference sessions. Make plans to attend:

- **The Elements of E-Communications**

Monday, July 22, 9 – 10 a.m. and Tuesday 2:30 – 3:30 p.m.

Want to learn how to produce more effective e-mail messages? Need help determining when to use e-mail versus some other means of communication? This program addresses electronic communication issues, with emphasis on e-mail etiquette, privacy issues, internal vs. external formats, terminology, and organization. Information on listservs, mailing lists, and chat sessions is also included. Presented by Cynthia Mayberry, Assistant Manager, TG Customer Services.

- **Learn Student Aid Anytime Anywhere**

Monday, July 22, 9 – 10:30 a.m.

Learn how you can bring the entire financial aid community to your own office.

LearnStudentAid.org is the first fully online learning tool for financial aid professionals. LearnStudentAid.org is a project of NASFAA, TG, and the University of North Carolina at Wilmington. It is the winner of a Learning Anytime Anywhere Partnerships Grant from the U.S. Department of Education. Presented by Karen Fooks, Director of Financial Aid, University of Florida, Gainesville, Florida, and Merry Ribnikar, Assistant Director of Financial Aid, Wharton County Junior College, Wharton, Texas. Moderated by Steven Smith, Assistant Vice President, TG Strategic Planning.

- **Regulatory Perils for Graduate and Professional Aid Administrators**

Monday, July 22, 10:45 a.m. – 12 p.m.

Learn about some gray areas of the Title IV regulations that are of particular concern to graduate and professional school aid administrators. Case studies will form the backdrop for discussions. Topics include the Family Educational Rights and Privacy Act (FERPA), Campus Security, and others. Presented by Brent Hay, Policy Advisor, TG Policy and Regulatory Affairs, and Margie Harvey, Assistant Team Manager, TG Strategic Partnerships.

See you there!

Edufacts™—June 2002

According to a study by *American Demographics Magazine*, 56 percent of current college students plan to live with their parents for some period of time after they graduate. (*American Demographics*, June Issue 2001)

Traditional views of life after college are changing, and a graduate who moves back home is no longer a slacker but simply someone practicing savvy financial planning. More and more college graduates are returning to their parents' homes, and not because they can't find jobs. Today's homeward-bound graduates hope to pay back student loans, sock away savings, or possibly begin to make investments for the future.

TG's June *Edufacts*™ illustrates the percentage of college students who plan to live with their parents following graduation. 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.

Resources to Support New Graduates

To help new graduates—whether they're living at home or are starting out on their own—TG offers several resources for free to facilitate entering repayment on student loans and help recent graduates understand their available options.

The *Managing Your Money* section of *Adventures In Education (AIE)* (www.AdventuresInEducation.org), a public service web site, provides help for organizing finances during and after college by offering tips on how to balance a budget, avoid default, and handle deferment requests. It includes printable in-school and after-school budget worksheets, a loan calculator, and more.

The booklet *New Directions: A Guide to Repaying Your Student Loan* is available for free by calling (800) 845-6267 or can be downloaded from the Publications page of TG's corporate web site at www.tgslc.org/tgslc/publications/index.htm. The booklet offers exiting students information about managing their money, estimating their loan payments, repaying their loans, deferments and forbearance, loan consolidation, and avoiding default. More information and further resources are also available at www.tgslc.org.

Representatives of TG's Pre-delinquency Call Center are also available to help borrowers plan for repayment at (800) 338-4752. You can find out more about the call center in *Shoptalk Online* Edition 158 at www.tgslc.org/tgslc/shoptalk/2002/st158/st15803.htm#vfa.

Questions

For questions about TG's *Edufacts*, contact Kristin Boyer at (800) 252-9743, ext. 4990, or at kristin.boyer@tgslc.org.

Click Me In

Some note-worthy national events are coming up in the next few weeks. TG team members look forward to seeing you at:

- The NASFAA Annual Conference, July 21-24, in New Orleans – Find more details online at www.nasfaa.org/SubHomes/AnnualConference2002/home.html. (See “It’s No Secret: TG Jazzed Up for NASFAA Conference” in this edition of *Shoptalk Online* for more information.)
- National Default Prevention Day, August 1 – Find out about the events scheduled at each of the twelve sites throughout the country at www.ifap.ed.gov/eannouncements/0429NDPD.html. (See *Shoptalk Online* Edition 160 at www.tgslc.org/tgslc/shoptalk/2002/st160/st16001.htm#dpvrday for more information about this special day and TG’s participation.)

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.

TRENDS AND ISSUES

MYF Chat to Focus on Distance Ed and Financial Aid

Families and students interested in online and distance education should plan to take part in a special chat event on *Mapping Your Future* (MYF) (<http://mapping-your-future.org>) on July 11, 2002. During the live event, “Online and Distance Education Chat,” financial aid and career experts will be available to answer questions from participants about distance education and financial aid.

During the chat, students and their families will learn more about:

- Online and distance education programs
- Advantages and disadvantages of online and distance education programs
- Financial aid eligibility requirements
- Financial aid opportunities
- Other resources of information

The chat is scheduled for 3 – 4 p. m. (Eastern), 2 – 3 p.m. (Central), 1 – 2 p.m. (Mountain), and 12 – 1 p.m. (Pacific). Anyone with Internet access can join in the chat by visiting <http://www.mapping-your-future.org/services/chatnight.htm> on the afternoon of the event. To participate, visitors will select the chat session and follow the simple instructions.

Other special chat events scheduled during the next few months include:

- August 8, 2002 Evening Chat — FAFSA and College Admission
- September 12, 2002 Daytime Chat — Deferments, Forbearances, and Default Prevention

Questions and More Information

For questions about the chat or about future events, contact Cathy Mueller at cathy.mueller@mapping-your-future.org.

MYF is a public service web site providing college, career, and financial aid information and services. A group of guaranty agencies that participate in the FFELP sponsor the site and are committed to providing information about higher education and career opportunities.

COMMON MANUAL

Common Manual Governing Board Reorganizes, Elects New Leadership

In a move designed to strengthen and streamline ongoing maintenance and production of the *Common Manual* and *e-Collection* CD-ROM, the Governing Board has reorganized functions performed by the Board and its committees.

The *Common Manual* Governing Board comprises representatives from each of the nation's guarantors. The Board amends, approves, or disapproves individual policy proposals with the intent of promoting and maintaining the integrity of the FFELP, while seeking to improve the administration of the FFELP.

Chair and Chair-elect

Greg Ayers, Vice President, Policy and Compliance, USA Funds, succeeds Rick Irvin, American Education Services/Pennsylvania Higher Education Assistance Agency (AES/PHEAA), on August 1, 2002, as Chair of the *Common Manual* Governing Board.

Becky Collins, Manager, Policy and Compliance Division, Student Loan Guarantee Foundation of Arkansas, has been elected Chair-elect. She will succeed Ayers as the Board's Chair on August 1, 2003.

Organizational Changes

Effective August 1, 2002, the Board has eliminated the Logistics and Information Committee and has created three new positions to support the production and management of the *Common Manual*. The new positions are as follows:

- Production Director, responsible for producing the *Manual* and *e-Collection* CD-ROM
- Treasurer, responsible for creation and control of the budget
- Communications Director, responsible for internal and external communication

In addition, the position of Chair-elect has been expanded to include several of the responsibilities previously maintained by the Chair.

These four positions, along with the Chair, will form the Governing Board's Executive Management Team, which will manage the update and production of the *Common Manual* and *e-Collection* CD-ROM for the coming year.

Production Director

Reitha Scott, Policy Manager, Florida Department of Education, Office of Student Financial Assistance has been elected to the newly created post of Production Director. She will be responsible for all aspects of producing the *Common Manual* and *e-Collection*.

Treasurer

Pete Pundt, Director, Compliance Services, AES/PHEAA, has been elected to the newly created post of Treasurer. He will be responsible for development and management of the *Common Manual* budget. Mr. Pundt is currently Co-Chair of the Logistics and Information Committee.

Communications Director

Susan Degen, Coordinator of Federal Affairs, Oregon Student Assistance Corporation, has been elected to the newly created post of Communications Director. As such, she will communicate with the student loan community on behalf of the *Common Manual*. Ms. Degen is also currently Co-Chair of the Logistics and Information Committee.

TG's *Common Manual* Participation

TG also has representatives serving on the *Common Manual* Governing Board and the *Common Manual* Policy Committee.

Nina Hold, TG Assistant Vice President of Policy and Regulatory Affairs, serves on the *Common Manual* Governing Board. Nina served on the original team that developed the *Common Manual* and has represented TG on the Governing Board since its inception.

Michelle Anderson, TG Senior Policy Advisor, has recently been re-elected as Co-chair of the *Common Manual* Policy Committee. Michelle has served as Co-chair since August 1, 2001, and will continue in this position through July 31, 2003.

Kelly Kaelin, TG Policy Advisor, has recently been elected as Editor for the Policy Committee. She is currently serving as Editing Chair of the Logistics and Information Committee but will soon transfer her duties and become a non-voting member of the Policy Committee.

Questions

For questions about TG's participation on these *Common Manual* committees, call TG Customer Services at (800) 252-9743, ext. 4444 or send an e-mail message to customer.services@tgslc.org.

LEGISLATIVE UPDATE

June 27 Legislative Report

The June 27 edition of TG's *Legislative Report* includes a press release about the recent follow-up report about access from the Advisory Committee on Financial Aid, a memo to members and staff of the Texas Congressional Delegation from TG's President and CEO regarding HR 4866-Fed Up Higher Education Technical Amendments of 2002, and an article about staff recommendations recently adopted by the Sunset Advisory Commission. You can read all the articles online at www.tgslc.org/tgslc/publications/lege_report/2002/lr_020627.htm.

THIS, THAT, AND THE OTHER

The word *consolidation* is everywhere lately. As borrowers consider whether consolidation is right for them, it's important that they understand the benefits and the drawbacks.

To support your efforts to help students make decisions based on fact and not hype, TG has prepared a document called "Six Things You Need to Know about Taking out a Federal Consolidation Loan" (www.tgslc.org/tgslc/borrowers/consol.htm).

The document lists three good things and three not-so-good things about consolidation and includes the catches to the good things and ways to avoid trouble. The information is presented in easy-to-understand, to-the-point language for students looking for the whole picture.

Contributors to this week's edition:	Kristin Boyer	Laura Lavergne	Cathy Mueller
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