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**FEDERAL UPDATES**

**ED Issues Clarification on TPD Help Lines**

ED recently informed the student loan industry of a clarification in the toll-free numbers available to borrowers with questions regarding the total and permanent disability (TPD) discharge.

ED had originally issued the phone number (888) 636-6401 as the general borrower inquiry line. This is still a working and valid number, but it is actually the TDD (Telecommunications Device for the Deaf) line for the hearing impaired.

The main number for borrowers to call is actually (888) 869-4169. It is open from 8 a.m. to 8:30 p.m. EST.

**More Information and Questions**

For more information on the total and permanent disability discharge process, visit *Shoptalk Online* Edition 159 at [www.tgslc.org/tgslc/shoptalk/2002/st159/st15901.htm#tpdd](http://www.tgslc.org/tgslc/shoptalk/2002/st159/st15901.htm#tpdd). For questions about the discharge, contact TG Customer Assistance at (800) 845-6267 or send an e-mail message to [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

## TG UPDATES

### 2002 NASFAA Conference Offered Wide Array of Choices

“What was the secret ingredient,” you ask? Why two pounds of crawfish tails, of course!

Hundreds of NASFAA 2002 Conference attendees have left New Orleans and are now walking around with crawfish T-shirts after coming by the TG booth with knowledge of the secret ingredient (see *Shoptalk Online*, Edition 162, for details of what this was all about). TG was happy to have this opportunity to meet new friends and renew old friendships during our time in the Big Easy.

While at the conference, TG’s friends learned about the wide array of choices TG offers to help make life in financial aid easier. In particular, they found out how TG can help improve workflow, provide valuable information, and help its partners to fight default. In addition, TG helped present sessions on e-communications, LearnStudentAid.org, and regulatory perils.

If you missed the conference this year or if the hectic atmosphere caused you to miss your opportunity to stop by our booth, we’d be glad to share more about TG with you. Contact TG Customer Services or your National Account Representative at (800) 332-1455. They’ll be happy to help you catch up on what you missed, including information about all the ingredients for TG’s Choice Gumbo (link to the recipe)!

### **Edufacts™—July 2002**

The Department of Education has established August 1 as National Default Prevention Day. In recognition of the event and to help the financial aid community share information about default, TG has prepared two special editions of *Edufacts™* that relate to student loan default prevention.

#### **Odds Stacked against Drop Outs**

Of those students who stop attending or drop out of college and miss their first loan payment, 74 percent are likely to go into default on their student loans. This fact is depicted in one of the July special editions of *Edufacts*. The text accompanying the illustration explains how various aspects of a student’s life can affect his or her likelihood to continue studying, avoid dropping out, and, in the long run, avoid default.

#### **Loans Saved from Default**

In 2001, there were over 450,000 delinquent loans in Texas. TG, along with various schools, lenders, and servicers, helped keep 87 percent of these loans out of default. The illustration depicting this *Edufacts* is accompanied by additional information regarding default, including a specially prepared list of the top ten ways to avoid default and keep a clean credit rating.

#### **Free Download**

Both of these special editions of *Edufacts* are available in high resolution files suitable for publication in school or lender internal newsletters, student newspapers, or other publications. The July editions, as well as those for previous months, 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).

## Questions

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

## A Day in the Life of TG Claims

### Creating Confidence and Trust

TG Claims has one primary responsibility—to process claims that TG's lenders and servicers file when borrowers default on their student loans. TG processes approximately 80,000 claims in a fiscal year, or approximately 7,000 claims a month. Approximately 8 percent of the claims TG pays are the result of loan discharges due to death, disability, bankruptcy, or closed schools. Once TG processes and pays the claim, the loan is discharged. Over the last four years, Claims' compliance audits and external audits showed a zero percent error rate for claims processed.

Rinn Harper, Vice President, TG Operations, explains, "TG has a quality Claims staff that completes a quality review 100 percent of the time. The team is careful to ensure that what TG pays in claims is reinsurable by the Department of Education. This gives our trading partners confidence and trust in what we do and supports TG's leadership position in the industry."

### Attention to Every Detail

The ability to properly and accurately process claims requires longevity in the industry and commitment to the process. TG's claims examiners have (on average) over 10 years within Claims and some have additional experience within TG and the student loan industry.

The examiners consider it their responsibility to review and process claims with accuracy, thus protecting the fiscal interests of the federal government, TG, and TG's industry partners. Examiners are typically analytical, critical thinkers, who are able to work independently in an almost library-type atmosphere. They also must have a comprehensive and historical knowledge of the entire FFEL Program, from loan disbursement through default and claim filing.

Rinn states, "The claims that TG reviews have sometimes been in repayment for up to 10 years. The examiner needs to know what FFELP requirements were 10 years ago, as well as what they currently are today."

The TG Claims team works together closely, sharing pride in their work. When there's an influx in claim volume, others with extensive program knowledge pitch in to help. Staff in TG Customer Assistance, Loan Guarantee Operations, Ombudsman's office and Accounting have, in the past, provided Claims with assistance when necessary, furthering TG's team effort philosophy.

### Initiatives Creating Standardization

For 10 years, ongoing initiatives to standardize the claims process have been occurring. These initiatives originated with the 1992 Reauthorization of the Higher Education Act, which mandated standardization of certain processes. Several factors placed Claims processing high on the list for standardization efforts: the costs and burden of accurate processing, the need for uniform treatment of claim payment throughout the industry, and the potential for efficiencies through automated processing.

In 1993, TG participated in newly formed industry workgroups that tackled issues related to those mandates. The first workgroup in which TG participated was charged with standardizing a Claim Form that all lenders and servicers could use. This enables lenders to file a claim reimbursement request in a single format with any guarantor.

Early on, the workgroup realized that in order to properly standardize the Claim Form, the industry would also need to homogenize its default prevention and claims processes and procedures. After tackling those challenges and creating the Common Claim Form, the workgroup also developed a common Supplemental Claim Form, which TG implemented on July 1, 2002. These accomplishments were just the first steps toward claim standardization, and now even bigger initiatives are on the horizon.

### **From Paper to Automation**

The industry has furthered the cause of standardization by pursuing two electronic standards initiatives, known as Common Account Maintenance (CAM) and the Common Claim Initiative (CCI), both originated by the National Council of Higher Education Loan Programs (NCHHELP). CAM is an event-driven, transaction-based reporting process for lenders, servicers, and guarantors. The CCI establishes new, standard formats for lenders to use when requesting default aversion assistance and claim reimbursement. Due to these initiatives, claim filing is moving from a paper to an automated operation. As an active NCHHELP member, TG has been instrumental in the planning, development, and implementation of these initiatives.

Rinn explains, “We started developing electronic layouts for CCI before it was rolled into part of the CAM initiative. As CAM gained momentum, we realized that CAM was the mechanism that we needed to implement CCI in an electronic fashion. It was a logical progression to roll DAARs (Default Aversion Assistance Requests) and claims filing into CAM.”

Since 1995, TG Claims has used a proprietary product known as the Claims Automated Processing System (CAPS), to enable lenders to file claims via tape. However, this system still requires TG to respond to the claim on paper. With CAM/CCI, TG will be able to send lenders an electronic response with the findings of a claim review. This will enhance the communication line between TG and its trading partners.

TG will be CCI/CAM compliant on September 30, 2002, which is the date on which it will begin trading CCI records for claim filing via CAM. The project is currently 62 percent complete, on target, and on budget, with the remainder of the project expected to continue smoothly.

Rinn states, “Because Claims staff have been involved in the CAM/CCI process since its inception, implementation at TG is expected to go smoothly. We’ve participated both in the development of the CAM/CCI process, as well as in training and presentations, at the state level and nationally through NCHHELP, providing our business partners information as it was developed.”

To further streamline CAM/CCI, a new CAM compliant backend system, Default Aversion Claims Collection System (DACCS), will replace TG’s current legacy Claim system in November 2003. At that time, TG will be able to further the automated disposition and claim payment process.

### **Additional Benefits to Standardization and Automation**

With the standardization and automation of the claims process comes consistency, which benefits TG and its customers. The initiatives, in fact, benefit all guarantors and their customers, in that the end result of the claim review is the same, whether TG reviews the claim or some other guarantor reviews the claim. This is very different than in the past when the various guarantors did things differently with sometimes marked inconsistencies in the process. Now guarantors have a standard approach and streamlined processes resulting in reduced costs in filing and reviewing claims.

The CCI process, when implemented, will allow Claims examiners to move into an exception-based process versus a compliance review on a claim-by-claim basis. Currently, examiners perform a comprehensive review of loan servicing from conversion to repayment to default. With the current volume of Claims, it's becoming difficult for a small staff to review 100 percent of every claim. TG's new DAACS system, together with CCI, will allow the examiners to look more closely at the exceptions without sacrificing quality. This will help TG further reduce its per-claim costs, which have gone from a high of \$17 a claim to approximately \$4 a claim today.

### **Policies: An Important Part**

Standardization not only affects how technology is used to change processes, but it also emphasizes the need for common policies industry-wide. As claims experts, Rinn and Ron Stroud, Manager of Claims, have been instrumental in the development of and ongoing changes to the *Common Manual*, which is a comprehensive guide to FFELP policy.

Ron states, "Not a week goes by that we're not somehow involved with the *Common Manual*. Currently, we're helping to reorganize Chapter <sup>CCI</sup> 8 of the manual to split it into multiple chapters and make it more user-friendly."

### **Protecting Interests through Teamwork**

TG Claims takes the millions of dollars it pays each month in claim payments very seriously. From clerical staff that receive and log the incoming claims to examiners who review the claims to the management team who conduct quality controls, the Claims team works together to achieve a successful process.

Rinn emphasizes, "At the end of the day, we want to leave our jobs confident that the work we've done has protected our trading partners', the government's, and TG's interests. There's a lot of money going through TG, and the liability could be significant if we don't do our jobs correctly; everyone plays an important part."

## **LEGISLATIVE UPDATE**

### **July 22 Legislative Report**

The July *Legislative Report* includes an article about the Senate Appropriations Committee's approval of the FY 2003 Health, Labor, and Education spending bill. In addition, the report includes information about a recent presentation by Steve Murdock, the Director of the Texas State Data Center, about issues facing the state as a result of its shifting demographics. Read both articles online at [www.tgslc.org/tgslc/publications/lege\\_report/2002/lr\\_020722.htm](http://www.tgslc.org/tgslc/publications/lege_report/2002/lr_020722.htm).

## **THIS, THAT, AND THE OTHER**

Today the cornerstone of the federal student financial aid programs is, of course, the Federal Pell Grant. Since its creation, the Pell Grant has helped untold numbers of students pay for the education that can make such a difference in their quality of life.

But the word Pell hasn't always been a part of common student financial aid terminology. When the 1972 Reauthorization of the Higher Education Act created the precursor to the Pell Grant, it was known as the Basic Equal Opportunity Grant (BEOG). The BEOG was renamed the Pell Grant in 1980 in honor of the prime sponsor of the program, Senator Claiborne Pell (D-RI), who served in the United States Senate from 1961 to 1997.

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<b>Contributors to this week's edition:</b>	Kristin Boyer	Kelly Kaelin	Art Martinez
	Brent Hay	Sandy Keller	George Torres
		Laura Lavergne	

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