



IN THIS ISSUE:

FEDERAL UPDATES..... 1

- ED RELEASES REVISED DEFERMENT FORMS..... 1
- ED CORRECTS INSTRUCTIONS FOR PRINTING NEW STAFFORD LOAN MPN 2
- TEXAS TEACHER SHORTAGE AREAS FOR 2002–2003 ANNOUNCED 2

TG UPDATES 3

- TG AWARDS \$500,000 IN CHARLEY WOOTAN GRANTS TO 60 SCHOOLS..... 3
- A DAY IN THE LIFE OF COLLECTIONS, PART TWO 4

TRENDS AND ISSUES..... 8

- TREASURY DELAYS USA PATRIOT ACT COMPLIANCE 8

LEGISLATIVE UPDATES 8

THIS, THAT, AND THE OTHER..... 8

FEDERAL UPDATES

ED Releases Revised Deferment Forms

ED recently released Dear Partner Letter (DPL) GEN-02-08, issuing eight revised FFELP deferment forms. The deferment forms are:

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

These revised forms are the only version that may be distributed to borrowers beginning January 1, 2003. Previously distributed versions of the forms may be processed on or after that date, but all new deferment requests received beginning January 1, 2003, must be processed using the new forms.

TG has posted the revised forms to its web site. To access the forms, visit www.tgslc.org/tgslc/forms/frms_def.htm.

HRD Corrections

Errors were identified in the eligibility text at the top of the Economic Hardship Deferment Request form approved in the DCL. The errors have been resolved and TG has posted the revised form on its web site.

NPRM Changes

The August 6, 2002, Notice of Proposed Rulemaking (NPRM) issued by ED proposed changes to the unemployment and economic hardship deferment eligibility requirements. Once the final rules reflecting those changes are published this November, ED will issue the Unemployment and Economic Hardship Deferment Request forms containing conforming technical corrections. Please keep this upcoming change in mind when determining the volume of pre-printed forms you wish to order from TG.

More Information and Questions

To access GEN-02-08, go to the Information for Financial Aid Professionals web site at www.ifap.ed.gov/dpclatters/GEN0208.html.

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

ED Corrects Instructions for Printing New Stafford Loan MPN

ED has announced a correction to the printing instructions for the revised Federal Stafford Loan Master Promissory Note (Stafford Loan MPN) in Dear Partner Letter (DPL) GEN-02-09, released October 21, 2002. (*Shoptalk Online* announced the release of the new Stafford Loan MPN in Edition 175).

The printing instructions provided in a previous DPL (GEN-02-07, published on October 1, 2002), incorrectly stated that information and/or logos identifying the guaranty agency must be printed in black ink. The DPL also incorrectly indicated that the space for including identifying information is in the upper left-hand corner of the Stafford Loan MPN.

New Printing Instructions

DPL GEN-02-09 corrects ED's instructions for printing the Stafford Loan MPN to provide consistency with prior guidance. It states that the box in the upper right-hand corner of the Stafford Loan MPN is intended to provide guaranty agencies, programs, or lenders with a space to include their logo, name, telephone number and appropriate coding. It also indicates that the box in the upper right-hand corner of the form may be printed in color. The remainder of the Stafford Loan MPN must be printed in black ink.

More Information

To access DPL GEN-02-09, visit the Information for Financial Aid Professionals web site at <http://ifap.ed.gov/dpclatters/GEN0209.html>.

Texas Teacher Shortage Areas for 2002–2003 Announced

On October 15, 2002, the Texas Education Agency (TEA) released ED's list of subject-matter teacher shortage areas for Texas. Full-time teachers in designated shortage areas at public or nonprofit private elementary or secondary schools may be eligible for the teacher shortage area deferment on certain FFELP loans.

The designated 2002–2003 shortage areas for Texas are:

- Special Education
- Bilingual / ESL
- Mathematics
- Science
- Foreign Languages
- Technology Applications

Borrower Eligibility

A teacher shortage area deferment is only available to a borrower who has an outstanding Federal Stafford or SLS loan that was first disbursed on or after July 1, 1987, but before July 1, 1993. PLUS and Consolidation loan borrowers are not eligible for this deferment.

A qualifying teacher can apply for the deferment using the Education Related Deferment Request form (EDU) at any time during the life of the loan. If the teacher continues teaching in the area for which he or she received the original deferment, the teacher may request and receive subsequent deferments. A qualifying teacher may receive up to a cumulative total of three years of the teacher shortage area deferment.

Continued eligibility for the deferment remains even if the subject area in which the teacher instructs is not subsequently designated as a shortage area.

Certification

School principals are authorized to act on behalf of the Texas Commissioner of Education in certifying a teacher's EDU deferment request form for Federal Stafford or SLS loans.

More Information

For more information on designated subject-matter teacher shortage area benefits, visit TEA's website at www.tea.state.tx.us/taa/comm101502.html

For questions regarding the teacher shortage area deferment, call TG Customer Assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

TG UPDATES

TG Awards \$500,000 in Charley Wootan Grants to 60 Schools

Sixty Texas colleges and universities have received Charley Wootan Grant funds from TG. Nearly \$500,000 has been allocated for the 2002–2003 academic year. The designated schools have received a check for \$8,300 to be awarded to eligible students at the discretion of each school's financial aid office.

The amount of the award is determined each year based on the typical student loan debt for Texas undergraduates. In 2001, the median borrower indebtedness for college students in Texas was \$8,263. TG awards Charley Wootan Grants to the institutions whose students demonstrate a high level of need, relative to the median borrower indebtedness for Texas.

Over the next four years, TG plans to award an additional \$2 million to Texas higher education institutions based on the average unmet need of their students.

Recipients

Four-Year Institutions

Baylor University
College of St. Thomas Moore
East Texas Baptist University
Houston Baptist University
Huston-Tillotson College
Lamar State College-Beaumont
Schreiner College
Southern Methodist University
South Texas College of Law
Southwestern Assemblies of God
St. Edwards University
St. Mary's University
Texas A&M International
Texas A&M-Texarkana
Texas College
Texas Lutheran University
Texas Southern University
Texas Wesleyan University
University of Houston-Clear Lake
University of Houston-Downtown
University of Incarnate Word
University of Mary Hardin Baylor
University of St. Thomas
University of Texas-El Paso
University of Texas-Pan American
University of Texas-San Antonio
University of Texas-Tyler
Wiley College

Two-Year Institutions

Amarillo College
Angelina College
Central Texas College
College of the Mainland
Grayson County College
Hill College
Houston Community College
Kilgore College
Lamar State College-Orange
Laredo Community College
Lon Morris College
Midland College
North Central Texas College
Northeast Texas Comm. College
Northwest Vista College
Palo Alto College
Panola College
Paris Junior College
Ranger College
San Antonio College
San Jacinto College
South Texas Community College
St. Philip's College
Texarkana College
Texas State Technical College-Waco
Texas State Technical College-Marshall
Texas State Technical College-Harlingen
Victoria College

Career Colleges

Court Reporting
Institute of Dallas
Education America-
Houston Campus
National Institute of
Technology
South Texas Vocational
Technical Institute

Background

TG established the grant program in 2000 to provide assistance to students who have difficulties pursuing their higher education dreams because of financial need. In 2001, the TG Board of Directors voted to expand and rename the program to honor the memory of former TG Board Chair Dr. Charley V. Wootan, in recognition of his generous contributions and service to the state of Texas and the nation.

Dr. Wootan served on TG's Board of Directors for the six years prior to his death in March 2001.

A Day in the Life of Collections, Part Two

with Susan High, Assistant Team Manager, TG Collections' Account Management Unit, and Team Leaders Bonnie Brinkley, John Dismukes, Paul Miller, and Kirk Moore

As discussed in part one of "A Day in the Life of Collections," TG Collections' Default Recovery unit uses a complex set of skills and tools to recover on defaulted borrowers. If Recovery Specialists from that unit should be unable to bring borrowers back into voluntary repayment using traditional collection techniques (detailed in part one at www.tgslc.org/tgslc/shoptalk/2002/st173/st17309.htm), the Account Management unit employs additional resources designed to recover funds from defaulted loans.

Distinctive Recovery Tools

The Account Management unit is comprised of four teams, each of which uses a unique set of recovery tools:

- The Legal Portfolio team administers the Administrative Wage Garnishment process and accounts in bankruptcy.
- The Referral Portfolio team administers the recovery process through collection vendors.
- The Analysis Portfolio team administers the processes of loan rehabilitation and reinstatement, professional license matches, the Treasury Offset program, and accounts assigned to ED.
- The Adjustments Portfolio team is responsible for adjusting and closing out borrower accounts, which includes consolidation. The team also administers loan transfers resulting from repurchase.

Susan High, Assistant Team Manager, Account Management unit, states, “The Account Management section of TG Collections is a diverse group with each team specializing in a different piece of the collections puzzle. The process in each team must flow and mesh with the next one. It’s like a well oiled machine, and a given part must be in working order for the next part to start.”

Given the complexity of the federal and state mandated processes involved in the unit’s work, team members must be analytical, mathematical, and detail-oriented, and must have people skills and student loan experience. Team members must also possess an overall understanding of the laws and regulations supporting their processes, not all of which come from the Higher Education Act. Some laws applicable to the team’s work include the Fair Credit Reporting Act, the Internal Revenue Code, and the Bankruptcy Code.

Legal Portfolio Team

Federal law gives guarantors a series of powerful remedies to use in collecting defaulted student loans. Some of these must be used in sequence, with less drastic measures preceding the more drastic remedies. The right to garnish a portion of a borrower’s wages or Administrative Wage Garnishment (AWG) is the first mandated process used when voluntary repayment cannot be achieved. The Legal Portfolio team administers the AWG process by overseeing the Notice Prior to Wage Withholding (Notice) and the Order to Withhold Earnings (Order). The Notice is sent to defaulted borrowers informing them of TG’s decision to initiate a wage garnishment action. If a borrower, who is given 30 days to respond, does not respond to the Notice, the Legal Portfolio team sends the Order to the borrower’s employer, requiring the employer to withhold a designated percentage of the borrower’s wages. A borrower has a right to a wage withholding hearing if he or she disputes the garnishment.

Much of what the Legal Portfolio team does is to educate and ensure that employers comply with the Order. Bonnie Brinkley, Legal Portfolio Team Leader, says, “Several years ago, approximately 40% of employers did not comply with wage withholding orders; now it’s down to about 1%. That’s significant, since once an Order is issued, TG no longer tries to recover directly from the borrower; recovery attempts are solely through the employer.”

The Legal Portfolio team is also responsible for the administration of all of TG’s bankruptcy accounts. The team files required bankruptcy documents and administers the bankruptcy plan. Bankruptcy is a judicial action to halt the normal collection of debts. When borrowers are in bankruptcy, their loans are held by the guarantor. Since TG deals with the borrower’s loan the entire time the loan is in bankruptcy, the Legal Portfolio team fields school and lender questions about the bankruptcy and works with attorneys, borrowers, and bankruptcy trustees.

Generally, student loans are not dischargeable under bankruptcy, unless the borrower can show undue hardship. When this occurs, lenders are required to file a bankruptcy claim with the guarantor of the loan.

The Legal Portfolio team is recognized nationally and acts as host to visiting organizations wanting to learn about TG's AWG and bankruptcy processes.

Referral Portfolio Team

When TG Collections is unable to verify a borrower's employment for the AWG process, the account is placed with the Referral Portfolio team for referral to an outside collection vendor. Team members ensure the maintenance of these accounts through quality control audits and other periodic due diligence of the vendors' contracts. Audits verify that the vendors are following the terms of their contracts with TG and that vendors are staying in compliance with federal and state laws and regulations.

The Referral Portfolio team oversees the vendors' entire collection process. Because of this, the team needs a good understanding of how the collection process works as well as good communication skills. John Dismukes, Referral Portfolio Team Leader says, "We have a high-caliber team that works closely with our vendors. This team takes a great deal of pride in their work."

In addition to other responsibilities, the team prepares for and facilitates an annual vendor conference that gives vendors an opportunity to share with each other and gives TG an opportunity to hear concerns and provide greater assistance to the vendors. The team also created a vendor's procedure manual that provides an additional level of support for the vendors.

Team members' people skills come in to play when dealing with borrower problems that occasionally arise between the vendor and the borrower. Team members try to find a balance between the vendor's need to recover funds from the borrower and the borrower's need for assistance.

John states, "Referral's vision is to be the finest collection team, using communication and technology to achieve our goals. It's in our best interest to provide good customer service for our borrowers and our vendors."

Analysis Portfolio Team

The Analysis Portfolio team receives all of the incoming customer correspondence dealing with borrowers who have defaulted loans. The correspondence is then distributed to the requisite area for response, or is handled directly by the Analysis Portfolio team. The team processes Treasury Offsets and professional license holds. When a borrower is eligible for federal or state payments, such as an IRS refund or a lottery winning, those funds are applied to a borrower's defaulted student loan debt before any amount goes to the borrower.

Among the enforcement options available to assist in the recovery of defaulted student loans is the ability of licensing agencies to place holds on professional license renewals. Generally, the Analysis Portfolio team receives information on license holders from these agencies so that TG can perform data matches with defaulted accounts. TG then notifies the agency of license holders with defaulted loans, and they suspend or do not renew the borrower's license. The TG Analysis Portfolio team manually processes rejected accounts from the match; and, on a case-by-case basis, determines the best action to take on those accounts.

Paul Miller, Analysis Portfolio Team Leader says, "We have a big impact on borrowers with defaulted loans. For instance, a borrower whose license is suspended or not renewed has an incentive to get back on track with loan repayment." The team also handles all accounts that TG determines are unrecoverable and, therefore, eligible for assignment to ED (a process known as subrogation). This process requires a great deal of research, sometimes going back to the loan's origination, to verify that loan documentation is complete and mandatory processes have been completed. Once subrogation is complete and the loan has been assigned to ED, the account is no longer held by TG.

The team also handles credit bureau reporting, an automated process, and credit reporting disputes from borrowers.

Adjustments Portfolio Team

When collection tools are employed or the disposition of accounts change, the Adjustments Portfolio team is charged with ensuring that accounts are correct and making any necessary adjustments to those accounts. This includes:

- Adjusting balances
- Processing loan transfers
- Verifying loan balances
- Processing documentation associated with discharges and forgiveness programs
- Handling paid in full correspondence
- Processing rehabilitation accounts
- Providing recalculations to bankruptcy accounts
- Processing refunds
- Updating balances for the State Lottery Commission

Since this team administers all of the adjustments to the accounts, team members need advanced analytical skills and must understand the loan process from beginning to end.

Kirk Moore, Team Leader, Adjustments Portfolio, says, “Team members work as partners in sub-teams. They work very closely together and can step right in and take care of a job if a team member is not in. Teamwork and experience are key to this group.”

Commitment to Customer Service and Teamwork

The Account Management unit is dedicated to customer service. Susan explains, “Team members and especially team leaders are able to make judgment calls while keeping the integrity of the program intact. They are committed to providing the best possible customer service to our borrowers, lenders, schools, ED and many other external and internal customers.”

Exemplifying TG’s teamwork environment, the Account Management unit also relies on the expertise of other areas of TG and within TG Collections. The unit works most closely with:

- TG Collections Compliance Analyst
- TG Collections Default Recovery unit
- Program Review
- Compliance Administrative Operations
- Accounting
- Claims
- Corporate Services
- Information Technology

The Account Management unit is committed to working with all of its partners and customers for the direct purpose of aiding the borrower. Susan states, “At the same time we’re collecting from these borrowers we’re providing them with customer service. They may need additional information and help in understanding the options available to them. We say, ‘Here’s what you can do going forward; here’s what we can do to help you.’ ”

Source of Information

The Account Management unit, through its diversity and expertise is an excellent source of collections information for TG’s customers. Contact TG Collections for information on these resources via telephone at (800) 252-9743 or e-mail at collections@tgsic.org.

TRENDS AND ISSUES

Treasury Delays USA PATRIOT Act Compliance

The U.S. Treasury Department recently advised financial institutions that it has delayed required compliance with section 326 of the USA PATRIOT Act, as well as proposed rules that have been issued by the Treasury and other federal departments, until final implementing regulations are issued and become effective. Further, the Treasury Department noted that final rules will provide financial institutions with a reasonable amount of time in which to become compliant.

The USA PATRIOT (Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism) Act contains provisions intended to help facilitate the prevention, detection, and prosecution of international money laundering and the financing of terrorism. Section 326 of the USA PATRIOT Act requires the Treasury Secretary to prescribe regulations that will set minimum standards financial institutions must follow to verify the identification of any person who applies to open an account, including accounts for federal student loans such as Stafford and PLUS.

The proposed regulations would require financial institutions to implement reasonable procedures for:

- Verifying the identity of any person seeking to open an account, to the extent reasonable and practicable,
- Maintaining records of the information used to verify the person's identity, including name, address, and other identifying information, and
- Determining whether the person appears on any lists of known or suspected terrorists or terrorist organizations provided to the financial institution by governmental agencies.

The Consumer Bankers Association and the FFELP community are currently discussing the applicability of the USA PATRIOT Act to federal student loans, including how existing and available identifying information and documents may be used to satisfy the upcoming final regulations. *Shoptalk Online* will notify readers when these final regulations are issued.

LEGISLATIVE UPDATES

The October 22 issue of the *Legislative Report* offers an update on federal appropriations for FY 2003, which are expected to be passed during a "lame duck" session of Congress after the November 5th elections. Read the details at www.tgslc.org/tgslc/publications/lege_report/index.htm.

THIS, THAT, AND THE OTHER...

Ready to stock up on next year's FAFSA? ED has announced that schools can order both English and Spanish versions of the paper 2003-04 FAFSA now using ED's Bulk Publication Ordering System (BPOS) at www.edpubs.org/bpos/. You will need your 8-digit OPEID number when placing your order.

ED expects to ship the paper FAFSAs by late November. The 2003-04 version of FAFSA on the Web becomes available on January 1, 2003.

The full announcement from ED—which includes guidance about quantities and a new pre-application worksheet for users of FAFSA on the Web—is available online at www.ifap.ed.gov/eannouncements/1022BPOS0304.html.

**Contributors to this
edition:**

Michelle Anderson
Kristin Boyer
Jeffrey Grove

Kelly Kaelin
Sandra Keller
Art Martinez

Steve Schmidt

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. 4732 or communications@tgslc.org.

Edited by TG Communications and Policy and Regulatory Affairs.

Designed by TG Communications.
