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FEDERAL UPDATES

ED Makes Call for Reauthorization Recommendations

ED recently issued a *Federal Register* notice soliciting comments and recommendations on proposals for amending and extending the Higher Education Act (HEA). This notice officially launches ED’s efforts to collect input from the higher education community regarding the upcoming HEA reauthorization. Although scheduled for this year, reauthorization is not likely to be completed until late 2004 or early 2005.

ED’s Intentions

According to the *Federal Register* notice, available at <http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/2002/02-32089.htm>, ED’s stated goals and objectives for this reauthorization are to:

- Develop proposals that will best use the significant levels of funding for the HEA programs,
- Build upon the successful results in those programs,
- Improve the quality of and access to postsecondary education,
- Promote greater emphasis on achieving results,
- Improve student achievement, and
- Ensure accountability for taxpayer funds.

ED is primarily focused on the issues of achieving results and institutional accountability, and the same emphasis is expected of the Bush administration when it releases its formal HEA reauthorization proposals. This would stay in line with the focus of Congress and the president during the appraisal of the Elementary and Secondary Education Act (ESEA) in January 2002. Last year's reauthorization of the ESEA, commonly known as the No Child Left Behind Act, also had a heavy emphasis on accountability.

TG's Reauthorization Efforts

Although TG is always planning ahead for the next reauthorization, TG has been formally contemplating the forthcoming amendments to the HEA for almost two years. TG has listened to its customers' needs and has proactively researched proposals that will help ease financial aid administration and will likely take precedence in Congress's upcoming review of the law.

Collaborative Position Paper

In early 2001, the Texas Association of Student Financial Aid Administrators (TASFAA) in a combined effort with TG, the Association of Texas Lenders for Education (ATLE), and the Southwest Association of Student Financial Aid Administrators (SWASFAA), began developing a collaborative position paper of reauthorization issues. The paper was circulated at the spring 2002 TASFAA Regional Rallies and the 2002 TG Conference and was posted to the TASFAA website for member review and comment. The paper contains numerous reauthorization proposals pertaining to such issues as:

- Funding recommendations
- Unmet financial need
- Accountability
- Teacher education
- Front-loading federal grant programs
- Outreach programs
- Distance education
- Privacy
- Independent/nontraditional students
- Demographic changes
- Alternatives to direct student financial aid

Audience with the Texas Congressional Delegation

In August 2002, George Torres, TG Assistant Vice President for Congressional/Legislative Relations, and Jimmy Parker, Senior Vice President of Panhandle-Plains Student Loan Center and chair of the TASFAA Legislative Issues committee, met with the Texas Congressional Delegation in Washington DC to present a Texas overview, highlighting the state's initiatives and reauthorization issues. Torres and Parker also presented the TASFAA/ATLE/TG/SWASFAA position paper to the Delegation. Also in attendance at the event were Jeffrey Andrade, Deputy Assistant Secretary of ED's Office of Postsecondary Education, and Brian Fitzgerald, Staff Director of the Advisory Committee on Student Financial Assistance.

Paper Distributed to the House Education Committee

The TASFAA/ATLE/TG/SWASFAA position paper was also distributed to the U.S. House Committee on Education and the Workforce in October 2002. Congressional review of the HEA will begin in the House, which has been gathering comments and proposals, via its website, to amend the law.

VFA Position

One issue that will receive considerable attention in reauthorization is the Voluntary Flexible Agreement (VFA). In December 2002, TG submitted a recommendation to Jeffrey Andrade endorsing the extension and expansion of the VFA. Currently, the HEA only allows a maximum number of six VFAs. TG is one of only four guarantors to date that have entered into a VFA with ED (for details about TG's VFA, visit www.tgslc.org and click the applicable link under "TG Today"). TG believes that because VFAs allow guarantors to create innovative financing models that make guarantors accountable for default reduction and improve customer service to borrowers, that Congress should continue and expand VFAs.

The Reauthorization Process

In the last session, a variety of higher-education related bills were brought before Congress for consideration, but few had much success and none of those listed below were signed into law. Some of these items will likely resurface in one format or another now that Congress is back in session, and they include:

- The CLASS ACT Act, championed by Senator Lindsey Graham (formerly a U.S. Representative), that would increase the maximum amount of Teacher Loan Forgiveness under the Stafford Loan Program to \$17,500 for teachers in certain subject areas (math, science, and special education).
- The Consolidation Student Loan Flexibility Act of 2002 introduced by Senator Mary Landrieu, a bill which would eliminate the so-called "single-holder rule."
- The Internet Equity in Education Act of 2001, introduced by Representative Johnny Isakson, that would modify the 50-percent rule and enable more distance education schools to qualify to participate in the Title IV programs.
- The 21st Century Higher Education Initiative introduced by Representative George Miller and the 21 Democratic members of the House Committee on Education and the Workforce.

These bills, along with the FED UP legislation just reintroduced last week by Representative Howard "Buck" McKeon as HR 12 (which includes the 50-percent rule modification in the aforementioned Isakson bill), and The Educational Excellence Act for All learners Act of 2003, introduced by the Senate Democratic Caucus as S. 8, will continue to set the stage for the elements of the HEA that are reviewed by Congress. Each of these bills brings its prospective issues into the congressional spotlight and gives its proponent a chance to give it a test drive. Although the FED UP legislation, comprised of several technical amendments to the HEA, may pass because it has bipartisan support, the other bills may get passed over until Congress takes up reauthorization.

At this time, in the current environment, the Bush administration is expected to issue its formal reauthorization proposals in early 2004, after which the serious congressional action will begin. Because the reauthorization process is not likely to be completed until late 2004 or early 2005 by the 109th Congress, it is also possible that higher education will be a 2004 presidential campaign issue.

How Can You Make Your Voice Heard?

Now that ED has officially put forth its priorities for the upcoming reauthorization, many in the financial aid industry may have additional input to provide on the various issues listed in the *Federal Register*. TG encourages its school partners to be particularly cognizant of the accountability issues raised by ED and to share them with their prospective presidents and chancellors to provide a comprehensive school response.

The *Federal Register* provides two means for interested parties to provide comments concerning reauthorization. One is by mail at the address provided in the notice. The other is via the ED website at www.ed.gov/offices/OPE/reauthorization. After clicking on “HEA Reauthorization Comment Website,” the page is broken down into major topics, including:

- General Institutional Requirements
- Teacher Preparation, Recruitment, and Development
- Aid for Students: Outreach and Support
- Aid for Students: Grants and Work-Study
- Aid for Students: Loans
- Aid to Institutions
- International Education and Graduate Programs

If you click on a major topic, the topic is subdivided further into narrower subjects. Users can submit comments pertaining specifically to any of these subjects. Comments on the *Federal Register* notice are due February 28, 2003.

Although this method of providing comment to ED is very convenient and inviting, TG encourages its industry partners to consider sharing their suggestions with their member agencies, as there is always strength in numbers. TG would also appreciate its partners sending their comments to George Torres at george.torres@tgslc.org to pass on the TASFAA/ATLE boards so that a Texas student financial aid perspective can be maintained.

TG UPDATES

TG Simplifies Alternative Loan Funding for SAGU and Wells Fargo

Southwestern Assemblies of God University (SAGU) and Wells Fargo recently partnered with TG to deliver the first alternative loan funds through TG’s enhanced Electronic Funds Transfer (EFT) process.

Financial Aid Director Mathew Dufrene and Gwen Coulson of SAGU have been pleased with the automated deposit of Wells Fargo alternative loan funds, a growing portion of their student loan mix over the last year, together with their FFELP loan proceeds.

“Anytime we can facilitate an easier process for either our office or our students it’s worth considering, but when a new process will help both our office and our students it’s a no-brainer,” said Dufrene. “Processing the alternative loans through TG has eliminated much of the time and hassle associated with processing alternative loans. As a result, we are able to better serve our students in a more time-efficient manner.”

TG School Consultant Neil MacQuarrie, who worked with SAGU to integrate the receipt of alternative and FFELP loan funds, says that the new process has reduced the school’s frustration at receiving alternative loan disbursement notifications from multiple sources, and having to process and update each one manually. A single roster from TG now shows both FFELP and alternative loan disbursements for students.

Schools interested in getting their alternative and FFELP loan proceeds from a single source, with a single roster, can contact their TG school consultant for setup. Contact information is available online at <http://www.tgslc.org/tgslc/cs/consult2.htm> for Texas schools, and at <http://www.tgslc.org/tgslc/strategic/national2.htm> for schools in all other states.

TRENDS AND ISSUES

Hotline, Chat Event to Inform Students about Admissions, Financial Aid Options

College-bound seniors from the graduating class of 2003 are in the final phase of deciding which college or university to attend. To assist in the admissions and financial aid process and to determine eligibility for federal student aid and many scholarships, the Texas Association for College Admission Counseling (TACAC) and LoanSTAR Systems are sponsoring a college information hotline.

English- and Spanish-speaking counselors will be available January 18 and 19, 2003, from 10 a.m. to 6 p.m. (CST) to answer questions on a variety of topics, including:

- Filling out and submitting the Free Application for Federal Student Aid (FAFSA);
- Options for paying for school;
- Conducting scholarship searches;
- The Texas Common Application for Freshman Admissions;
- Private school applications; and
- College selection.

To speak with a representative from the admissions and financial aid community, students and families should call (877) 275-7007 toll-free.

In conjunction with the hotline, TG will provide an online chat on Saturday, Jan. 18, from 10 a.m. to 2 p.m. and on Sunday, Jan. 19, from 1 p.m. to 4 p.m. To participate in the online chat, students and families should visit www.AdventuresInEducation.org, TG's public awareness web site, anytime during the event and follow the instructions.

COMMON MANUAL

Common Manual Updates

Note: Current *Common Manual Updates* (Updates) and the *Integrated Common Manual* (ICM) are available on *TGWorks Online* at http://www.tgslc.org/tgslc/schools/integrated_online_manual.htm. By posting Updates and the ICM online, TG offers its customers access to new policies shortly after the *Common Manual* Governing Board approves them.

Standards for Electronic Signatures

The *Common Manual* has been updated to include a reference to Dear Partner Letter GEN-01-06, which provides voluntary standards for lenders to use for electronic signatures in electronic student loan transactions. The voluntary standards protect lenders from loss of guarantee, federal interest benefits, and special allowance payments if a loan is determined to be legally unenforceable based solely on the processes used for the electronic signature or related records. If a lender's processes for electronic signatures and related records do not satisfy these standards and a loan is held by a court to be unenforceable based solely on these processes, the Department will determine on a case-by-case basis whether federal benefits will be denied or paid. A lender is not protected from these losses on loans made using electronic signatures in electronic student loan transactions to students attending foreign schools even if the lender complies with these standards.

In addition, the term “electronic signature” has been added to the manual’s glossary and defined as information in electronic format that is attached to or logically associated with an electronic record, and used by a person with the intent to sign the electronic record.

Affected Sections:	3.4, appendix G
Effective Date:	FFELP documents signed electronically by the borrower on or after October 1, 2000.
Basis:	Public Law 106-229, Electronic Signatures in Global and National Commerce Act (E-Sign Act); DCL GEN-01-06.
Policy Information:	620/Batch 97
Guarantor Comments:	None.

Loan Disbursement

The *Common Manual* has been updated to recognize that some guarantors may have individual agreements with lenders, as described in subsection 3.3.B of the manual, that allow the lender to disburse Stafford and PLUS loan funds prior to the receipt of a notice of loan guarantee from the guarantor. The amended policy also reminds lenders that if funds are disbursed under an individual agreement with the guarantor prior to the receipt of the notice of loan guarantee, any amount disbursed that exceeds the amount for which the borrower is eligible will not be insured by the guarantor, if the lender knew or had reason to know that the borrower did not qualify for the excess amount. (See subsection 7.12.C for information regarding ineligibility due to lender error.)

Affected Sections:	6.2
Effective Date:	Retroactive to the effective date of any individual agreement between a guarantor and a lender.
Basis:	HEA 428(n); §682.207(b)(1)(i)(A); DCL GEN-99-22.
Policy Information:	614/Batch 99
Guarantor Comments:	None.

False Certification Loan Discharge

The *Common Manual* has been revised to clarify that, upon receipt of reliable information that a borrower may be eligible for a false certification loan discharge, a lender must suspend all collection activities on each affected loan and may grant the borrower an administrative forbearance for a period needed by the guarantor or the Department to determine the borrower’s eligibility for a false certification loan discharge. Text has been clarified by creating separate subheadings for language regarding suspension of collection and notification to the borrower during the false certification loan discharge process. Text has also been added to clarify that the lender is not required to return payments received from the borrower during the forbearance period. Formatting changes have also occurred in subsections 8.2.H and ^{CCI}8.2.H to align text with subsections 8.2.B, 8.2.C, and 8.2.D and their CCI counterparts.

Affected Sections:	8.2., ^{CCI} 8.2.H
Effective Date:	Retroactive to the implementation of the <i>Common Manual</i> .
Basis:	§682.211(f)(7); §682.402(e)(12)(i) and (ii).
Policy Information:	633/Batch 99
Guarantor Comments:	None.

Repayment Start Date Definition Revised to Include Consolidation

The glossary definition of “Repayment Start Date” has been revised to include a reference to Consolidation loans. The revised *Common Manual* glossary definition reads as follows:

Repayment Start Date: The date the repayment period begins. For Stafford loans, repayment begins on the day following the last day of the grace period. For PLUS and SLS loans, repayment begins on the date the loan is fully disbursed. For Consolidation loans, repayment begins on the date the loan is disbursed. See sections 7.4 and 9.5.

Affected Sections:	appendix G
Effective Date:	Retroactive to the implementation of the <i>Common Manual</i> .
Basis:	§682.102(e)(5).
Policy Information:	634/Batch 99
Guarantor Comments:	None.

In-School Deferments

The *Common Manual* has been revised to align the text of subsection 7.3.A with current policy reflected in subsection 7.10.A. Subsection 7.3.A has been corrected to state that if a lender receives reliable information that indicates that the borrower may be eligible for an in-school deferment, the lender must determine the borrower’s eligibility and, if the borrower is eligible, grant the in-school deferment.

Affected Sections:	7.3.A
Effective Date:	In-school deferments granted by the lender on or after October 1, 1998.
Basis:	§682.210(c)(1).
Policy Information:	635/Batch 99
Guarantor Comments:	None.

LEGISLATIVE UPDATES

The January 9, 2003, issue of the *Legislative Report* provides updates on newly introduced federal legislation, continuing resolutions on federal budget issues, preliminary work on HEA reauthorization, and a new enrollment period for the Texas Guaranteed Tuition Plan. Read the details at www.tgslc.org/tgslc/publications/lege_report/index.htm.

THIS, THAT, AND THE OTHER...

Health professionals pursuing careers in clinical, pediatric, contraception and infertility, or health disparities research have until January 31, 2003, to apply for loan repayment benefits of up to \$35,000 per year. The National Institutes of Health (NIH) offers competitive loan repayment programs that not only repay qualified education debt directly to participants' lenders, but also reimburse participants for federal and state taxes owed on the repayment benefits.

Details on the NIH loan repayment programs and eligibility criteria are available at <http://www.lrp.nih.gov/>.

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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.

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Edited by TG Communications and Policy and Regulatory Affairs. Designed by TG Communications.

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