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Federal Updates

Pell Gets Slight Boost in FY 2003 Appropriations

On February 20, 2003, President Bush signed the FY 2003 omnibus appropriations bill into law, setting the spending levels for a fiscal year that is already more than one-third completed. With the exception of military spending, the federal government has been funding its operations since October 1, 2002, through a series of continuing resolutions, which authorize the same funding levels as the prior fiscal year.

New \$4,050 Pell Maximum

One of the most notable items included in the spending package is an unexpected \$50 increase in the maximum Pell Grant amount, from \$4,000 to \$4,050. With \$11.4 billion in funding for the Pell Grant Program, the package includes \$576 million more than the president’s request (submitted more than a year ago) to help cover a program shortfall estimated at \$2 billion.

Increases in Other Programs

Other considerable increases in postsecondary education funding include:

Program	FY03 Funding	Increase over FY02
Supplemental Educational Opportunity Grants	\$765 million	\$40 million (6%)
TRIO	\$833 million	\$30 million (4%)
GEAR UP	\$295 million	\$10 million (4%)
Historically Black Institutions	\$269 million	\$14 million (6%)
Hispanic-Serving Institutions	\$93 million	\$7 million (8%)

Also included in the package are appropriations of \$67.5 million to fund Perkins loan cancellation reimbursements and \$1 million for Child Care Provider Loan Forgiveness, both the same as for FY02. The total funding for all federal education programs has increased by \$3.5 billion, or 7 percent, over FY02 levels.

Across-the-Board Spending Cut

In order to keep the cost of the spending package acceptable to the White House (just over \$397 billion) and avoid a presidential veto, the House and Senate budget negotiators imposed a 0.65% spending cut. This across-the-board cut applies to the entire spending measure and is imposed after taking spending increases into account.

This means that the spending increases listed above will actually be slightly less than identified, while higher education programs that received no increase, including the Federal Work-Study Program and the Leveraging Educational Assistance Partnership (LEAP) Program, will actually experience a slight cut in funding. Pell Grants are not affected by the spending cut, however. Because Pell is an entitlement program (i.e., any eligible student is entitled to receive the grant), the amount of the maximum Pell Grant is not tied to the amount appropriated for the program for that fiscal year.

Read More

To find out more about the FY 2003 omnibus appropriations measure, go to the U.S. House of Representatives Committee on Appropriations web site at www.house.gov/appropriations/. The "Status of FY2003 Appropriations Bills" page on Thomas, the Library of Congress' online legislative information service, also provides access to text and summaries for various FY 2003 appropriations legislation. You can access that page at <http://thomas.loc.gov/home/approp/app03.html>.

ED Delivers Draft Cohort Default Rates

Schools looking to preview their cohort default rates for FY 2001 should watch their mailboxes (or e-mail inboxes). ED distributed FY 2001 draft cohort default rates to all schools participating in federal student loan programs on February 18, 2003.

Purpose of Draft Rates

ED provides draft cohort default rates to give schools an opportunity to review and challenge the rates prior to the publication of the official cohort default rates.

Unlike official cohort default rates, there are no eligibility consequences for schools during the draft review period. And because a school's draft rate is not considered public information, it will not be released to the public.

What to Expect

This year, many domestic schools signed up to receive their draft cohort default rates electronically through ED's new Electronic Cohort Default Rate (eCDR) process. Domestic schools that did not enroll in the eCDR process this year will receive their draft rates by mail, as will all participating schools in foreign countries

and U.S. territories. However, domestic schools should note that use of the eCDR process will soon be mandatory. ED is requiring all domestic schools to be registered for eCDR by June 1, 2003. Schools may enroll online at www.fsawebenroll.ed.gov.

Schools should also receive a Loan Record Detail Report (LRDR) with their draft rates. If a school does not receive its report at that time or wishes to request the Loan Record Detail Report in an electronic format (also known as the eLRDR), the school may request a FY 2001 draft eLRDR through ED's NSLDS web site at www.nslsdfap.ed.gov. For more details about the eLRDR, visit www.ifap.ed.gov/eannouncements/0211Draft2000eLRDR.html.

Options for Challenging Rates

ED permits schools to challenge inaccurate draft cohort default rate data to help ensure the accuracy of the FY 2001 official cohort default rates to be published later this year. Challenges also preserve the right of schools to appeal potential adverse consequences associated with high official cohort default rates on the basis of inaccurate data.

ED also provides schools 30 calendar days to submit a participation rate index challenge to ED's Default Management Division. Participation rate index challenges are also intended to prevent potential adverse consequences anticipated by schools based on high official cohort default rates, but these challenges are based on low numbers of student loan borrowers rather than on allegations of inaccurate data.

Deadlines for Incorrect Data Challenges

Schools are given 45 calendar days to review the loan data used to calculate their draft cohort default rates. If a school identifies any data it believes to be inaccurate, it may submit an incorrect data challenge (IDC) to the guarantor responsible for managing that data and request verification and correction of errors.

Schools receiving their draft rates electronically through the eCDR process should note that the instant delivery of the draft rate notification package also means a new effective receipt date for purposes of determining the review period. Schools using eCDR should keep an eye on the Information for Financial Aid Professionals (IFAP) web site, because their 45-day window for submitting a challenge begins with the sixth business day following the announced transmission date for eCDR packages. In other words, if the announced transmission date is February 18, the clock begins ticking on February 26.

The 45-day review period for schools that receive their draft rates by mail begins upon receipt of the information.

Submitting Incorrect Data Challenges to TG

For schools that use TG as their guarantor, challenges of draft cohort default rates should be mailed to one of the following addresses:

Mailing address:

Texas Guaranteed
Attn: Compliance Analyst
P. O. Box 201725
Austin, Texas 78720-1725

Address for overnight delivery services:

TG Distribution Center
Attn: Compliance Analyst
2929 Longhorn Blvd., Suite 106
Austin, Texas 78758

Questions

You can find more information on challenging draft cohort default rates in chapter 4.1 of ED's *Cohort Default Rate Guide*—available online at www.ifap.ed.gov/drmaterials/FinalCDRG.html. The checklist on page 4.1-14 offers a good step-by-step summary.

For questions about the FY 2001 draft cohort default rate challenge procedures, call TG's Ken Johnson at (800) 252-9743, ext. 4701, or send an e-mail message to ken.johnson@tgsic.org.

TG Updates

TG Details PLUS MPN Implementation Issues

As announced in Edition 191, ED recently introduced the Federal PLUS Loan Application and Master Promissory Note (PLUS MPN). To help you prepare to integrate the PLUS MPN into your process, TG offers the following information on some of the new form's features. Near the end of the article you will find details on how to obtain the new forms.

Similarities to the Stafford MPN

The PLUS MPN is a multi-year promissory note, much like the Stafford Master Promissory Note (Stafford MPN). A parent borrower whose dependent student attends a school eligible for the multi-year use of the MPN typically signs only one PLUS MPN, and the note is valid for up to ten years for additional PLUS loans made for the same dependent student. This feature provides a new convenience for PLUS borrowers.

As with the Stafford MPN, however, the school, lender, or borrower can request a new PLUS MPN for each new loan period.

Issues Unique to the PLUS MPN

Following are some issues unique to PLUS loan borrowing, with some explanation of how the implementation of the PLUS MPN will affect them.

- Many PLUS borrowers have more than one dependent student for whom they want to borrow. As is the case with the current Application and Promissory Note for Federal PLUS Loan, a separate PLUS MPN is required for each dependent student.
- The PLUS Loan Program requires parent borrowers to undergo a credit check for loan approval, and allows PLUS borrowers who are denied a PLUS loan due to adverse credit to reapply with an endorser. A PLUS borrower who uses an endorser will be not be able to take advantage of the multi-year feature of the PLUS MPN—that is, any loan for which an endorser is required must be made

under a new PLUS MPN (with a new Endorser Addendum) because the PLUS MPN becomes a “single-loan” promissory note when an endorser is used.

- Before a PLUS loan is disbursed, the parent borrower must indicate the PLUS loan amount he or she wishes to borrow. On the current Application and Promissory Note for Federal PLUS Loan, the borrower can indicate the “Requested Loan Amount” on the promissory note itself. However, there is no such field on the PLUS MPN, because it is a multi-year note. Therefore, the school, lender, or guarantor—depending upon which party has agreed to perform the function—must collect the requested loan amount for each loan certified from the parent borrower before the school certifies the loan or the lender disburses the loan, as appropriate.

Each school and lender must establish and document the process under which one of the parties will collect this information. TG will assist its business partners in fulfilling this requirement, as explained below.

TG’s Procedures for Collecting the Requested Loan Amount

There are several possible scenarios that TG’s business partners may choose to fulfill the requirement to collect the requested loan amount from the PLUS borrower before the loan is disbursed. The role that TG will play in each of these scenarios is noted below.

- If a school collects the requested loan amount from the PLUS borrower and includes that amount in its electronic PLUS MPN certification, TG will accept that amount and will subsequently guarantee the amount certified by the school or the amount requested by the borrower, whichever is less.
- If a school sends an electronic PLUS MPN certification and includes zeroes in the requested loan amount field, and the school is using TG Loans by Web™, the school can then direct its borrowers to request the loan amount online using this web interface. Once the borrower has supplied this information, TG will guarantee the loan.
- If a school sends an electronic PLUS MPN certification and includes zeroes in the requested loan amount field, but the school is not signed up for TG Loans by Web, TG will place that record in a pending status and proactively contact the parent borrower to obtain the requested loan amount. Once it is collected, TG will guarantee the loan.

Of course, a school may also opt to ask its lenders to obtain the requested loan amount from parent borrowers. In such cases, the school or lender should communicate this arrangement to TG. Schools and lenders are encouraged to start planning these arrangements as soon as possible so that schools may begin certifying PLUS MPNs according to their own implementation timeline.

Implementation Timeline for the PLUS MPN

FFELP participants may begin using the new PLUS MPN immediately for loan periods beginning on or after July 1, 2003. For loan periods beginning on or after July 1, 2004, and for any loan certified on or after July 1, 2004, regardless of the loan period, only the PLUS MPN may be used.

Availability of New Forms

TG has posted the new PLUS MPN forms on its web site at www.tgslc.org/forms/plus_mpn.cfm.

TG is also ready to take your orders for PLUS MPN supplies. TG customers may order forms:

- Online at www.tgslc.org/forms/forder.cfm.
- By calling TG's Joyce Henderson at (800) 252-9743, ext. 4546.
- By sending e-mail to joyce.henderson@tgslc.org.

TG customers may also order camera-ready artwork (to produce their own PLUS MPNs) via TG's web site at www.tgslc.org/pdf/ArtWorkOrderForm.PDF.

Implementation Guide

ED introduced the PLUS MPN in Dear Colleague Letter (DCL) GEN-03-03, which includes, as an attachment, a PLUS MPN implementation guide. To access DCL GEN-03-03, visit the Information for Financial Aid Professionals web site at www.ifap.ed.gov/dpccletters/GEN0303.html.

More Information

Schools that have questions about TG Loans by Web should contact their TG school consultant for more information. Contact information is available online at www.tgslc.org/custfocus/consult2.cfm for schools in Texas, and at www.tgslc.org/custfocus/national2.cfm for schools in all other states.

Schools not currently signed up for TG Loans by Web that have questions about the PLUS MPN process should contact Kyle Smith, TG assistant vice president for loan guarantee operations at (800) 252-9743, ext. 4894, or send an e-mail message to kyle.smith@tgslc.org.

A Day in the Life of TG's NSLDS

with Kay Morgan, assistant vice president of NSLDS

Facilitating the Eligibility Determination Process

TG is responsible for reporting data on all of the FFELP loans it guarantees to ED's National Student Loan Data System (NSLDS). The NSLDS was implemented in 1994 and is the central database of all Title IV financial aid, containing information about all students, borrowers, lenders, servicers, and guarantors participating in the federal student aid process.

The NSLDS was created primarily to facilitate the student eligibility determination process and is the basis for much of the information that is provided on the Student Aid Report (SAR) and the Institutional Student Information Record (ISIR) after the student applies for aid via the FAFSA. The goals of the NSLDS are to improve the quality and accessibility of federal student financial aid data, to reduce the Title IV aid administrative burden, and to eliminate abuse within the federal aid programs.

ED uses NSLDS data to:

- Gather enrollment data from schools and perform audits and program reviews.
- Provide guarantors with student enrollment data.
- Calculate fees paid to guarantors.
- Assess guarantors' administrative capabilities.
- Perform reasonability tests of guarantor financial reports. (The tests are performed to determine that certain loan level data on NSLDS reasonably agrees with data reported to ED on guarantor's financial reports.)

NSLDS data is also used by researchers and Congress to make decisions about the aid process and its effectiveness.

TG's Role in the NSLDS

TG's responsibility for reporting loans to the NSLDS begins at the point of guarantee. The initial report contains information about the student and the student's loan, such as the student's Social Security Number, name, date of birth, and state of residence; the school the student is attending; the lender; the loan period; and other data pertinent to the student's enrollment and loan status. In addition, data reported to the NSLDS can include any disbursements or cancellations on the loan that may have occurred between the guarantee date and TG's first report to the NSLDS.

ED has established a monthly schedule with a specific date and time at which TG sends a file of all new and existing loans with any changes to the data. Many of the data elements reported to the NSLDS may change over time, including loan status, lender, servicer, disbursements, cancellations, enrollment details, and the student's school of attendance. TG reports additional data such as return of Title IV funds, claim payments, collections, and loan repurchases. In summary, TG reports loans to NSLDS on a monthly basis from the date of the loans' guarantee until the loans are paid, discharged, or assigned to ED and are no longer part of the guarantor's portfolio.

Kay Morgan, assistant vice president of the TG NSLDS team, states, "What we report to the NSLDS is what is used to determine the student's eligibility for additional aid, which includes the annual and aggregate loan limits. Everyone at TG who touches the data on our system plays a role in this responsibility. Whenever someone accesses the system and updates the database within TG, the data is then picked up and passed on to the NSLDS and is available to be viewed by any school, lender, servicer, or guarantor."

The NSLDS process involves more than a simple data exchange. Huge programs scan TG's databases and produce the file that goes to the NSLDS. The NSLDS prescribes exactly how TG's data must be reported, so the data that is taken from TG's databases must be interpreted, and converted to meet the reporting requirements of the NSLDS.

Before the NSLDS

Before the NSLDS was developed, no standardized collection process for loan information existed. At that time, ED collected FFELP loan data—through a once-a-year event called a tape dump—that focused on minimal data elements needed for the calculation of cohort default rates. No entity could make corrections to tape dumps if it was determined after the fact that the original data was wrong. In addition, guarantors sometimes received notification from ED that a borrower was in default up to 18 months after the default occurred. Kay explains, “Data was strictly at the guarantor level, which meant that a borrower could easily exceed annual and aggregate limits by simply switching to another guarantor that had no knowledge of prior loans.”

The NSLDS made it possible for the development of a standardized process for guarantors to regularly collect data from lenders and servicers on lender-held loans. Now TG receives loan data every month.

Another important feature of the NSLDS is its accumulation of student enrollment information. In the past, TG and other guarantors would collect enrollment data from schools only twice a year. Data collection was not standardized, nor was a standardized format used for reporting. The NSLDS has now assumed the responsibility for collecting enrollment data from schools and disseminating the information to guarantors on a weekly basis, and, in turn, the guarantors provide lenders and servicers with that information.

Before the NSLDS, most loan information was in paper form and it could take months to collect the data from lenders and schools. Automation has greatly enhanced the ability to send and receive timely and accurate data.

NSLDS: The Next Generation

Since its implementation, there have been major enhancements to the system based on input from the student financial aid community. TG is an active partner with ED in the enhancement process. TG was the beta site for the NSLDS when it was created and has been involved in the evolution of the NSLDS ever since. For example, before the NSLDS was implemented, Kay provided ED with input on data provider instructions.

TG is also actively involved in the National Council of Higher Education Loan Programs (NCHELP) NSLDS Workgroup, a subcommittee of the NCHELP Program Operations Committee. A recent reorganization of the NSLDS Workgroup has resulted in the creation of three subcommittees, a communications group, an NSLDS Reporting/NSLDS II group, and an enrollment reporting group. Kay has been asked to chair the NSLDS Reporting/NSLDS II group and enrollment reporting group.

The NSLDS Workgroup meets with ED several times a year to discuss issues and improvements to the system. Among other projects, the workgroup will provide input for development of NSLDS II, a “next generation” initiative to move the NSLDS into a more open and accessible source of information. The initiative is in the planning and information gathering stage, receiving input from guarantors concerning system capabilities.

Collaboration

Not surprisingly, TG's Information Technology works closely with TG's NSLDS team, providing important technical support to the group. Other internal areas within TG that provide assistance or information to TG's NSLDS team include:

- TG's Compliance Administrative Operations, which helps TG's NSLDS in resolving Social Security Number conflicts; and
- TG's Accounting (Federal Reporting unit), which provides assistance in determining the causes of variations between TG's financial data and data on the NSLDS.

Other TG groups rely on TG's NSLDS to clarify information residing on the NSLDS or to provide assistance in updating data on the NSLDS.

Data Integrity

ED ensures data integrity by carefully reviewing and editing data on the NSLDS. TG's NSLDS team works hard to ensure that errors in the data that TG reports are minimal. TG continually examines and corrects the source of the data and then resubmits the data on a monthly basis. As a result, TG has one of the lowest error rates in the industry: less than two-tenths of one percent.

Kay compares the NSLDS to a crossword puzzle. "Cross field edits and reasonability edits are performed on the entire NSLDS record and against data that has already been reported. If it's accurate, everything tracks and presents a complete picture. But if something goes awry, then it causes the whole thing to be rejected. It's important that people keep the NSLDS in mind when they are updating information and give some thought to the impact to the student and FFELP business partners."

The data on the NSLDS is vitally important to the community:

- For schools, in terms of the eligibility process.
- For TG and other guarantors, for payment of services.
- For others in the industry and community-at-large, for evaluating the effectiveness of the FFELP and other federal student aid programs.

More Information

For more information on TG's NSLDS team or for technical assistance related to the NSLDS, contact Kay Morgan at (800) 252-9743, extension 4570. For questions regarding NSLDS Lender Manifest Error Reports, contact Natalie Sunderlin at (800) 252-9743, extension 2852.

Trends and Issues

MYF Offers Deferment and Forbearance Chat

Borrowers who are experiencing economic hardship or other difficulties that present obstacles to repaying their student loans will benefit from an interactive chat on Mapping Your Future (MYF) (www.mapping-your-future.org)—a college, career, and financial aid web site.

This “Deferments, Forbearances, and Default Prevention” live chat, scheduled for March 11, 2003, from 6 to 7 p.m. CST, provides a unique opportunity for borrowers to receive information about deferments and forbearances.

Experts in career counseling and from all over the country will take part in the chat. During this chat night event, participants will learn about:

- Deferment options and eligibility criteria.
- Forbearance options and eligibility criteria.
- The process for requesting a deferment or forbearance.
- Other options to help prevent borrowers from defaulting on their loans.

Anyone with Web access can join in the chat by visiting www.mapping-your-future.org. Students and parents can even register in advance and choose to have a reminder sent a few days before the event.

On the evening of the chat, visitors will go to www.mapping-your-future.org and select the chat session. Simple instructions will guide them on how to join the event.

Mapping Your Future is a national collaborative public service project of the financial aid industry.

This, That, and the Other...

Ever wonder why the Department of Education goes by *ED* instead of *DOE*?

The short answer: Because the Department of Energy staked its claim on the *DOE* acronym first. The Department of Energy was created in 1977—three years before the Department of Education was established. The Department of Education ended up choosing the acronym *ED*, for Education Department.



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Shoptalk Online is published by 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 *Shoptalk Online*, please contact Communications at (800) 252-9743, ext. 4732 or communications@tgslc.org.

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