

In this issue:

Federal updates	1
ED issues guidance on dependency overrides	1
TG updates	3
TG and Council offer new guide on school-servicer partnerships to enhance default prevention efforts	3
Trends and issues	4
<i>Edufacts™</i> – April 2003	4
This, that, and the other...	5

Federal updates

ED issues guidance on dependency overrides

Some students who apply for federal student aid have special circumstances not addressed on the FAFSA. These students often bring these circumstances to the attention of the financial aid office at the schools they attend. The Higher Education Act (HEA) allows financial aid administrators (FAAs) the flexibility to make adjustments to a student's file — on a case-by-case basis — that may affect the student's eligibility for federal student aid.

In its May 2, 2003, Dear Colleague Letter (DCL) GEN-03-07, ED issued comprehensive guidance on one of the criteria that affects a student's eligibility for financial aid — the student's dependency status. GEN-03-07 reviews the conditions for an FAA to make and document dependency overrides, which occur when the FAA determines that an otherwise dependent student is independent due to unusual circumstances.

Background for defining an independent student

Section 480(d) of the HEA defines an independent student as someone who meets one or more of the following six criteria:

- Is 24 years of age or older by December 31 of the award year.
- Is an orphan or ward of the court, or was a ward of the court until the individual reached the age of 18.
- Is a veteran of the Armed Forces of the United States.
- Is a graduate or professional student.
- Is a married individual.

- Has one or more legal dependents other than a spouse.

A student who does not qualify as an independent student under any of the criteria above may be considered an independent student under HEA section 480(d)(7). Under this provision, a student is considered independent if the FAA “makes a documented determination of independence by reason of other unusual circumstances.” Unusual circumstances are those situations that make it inappropriate to expect the student’s parent(s) to contribute financially toward the student’s education.

Identifying unusual circumstances for dependency override

GEN-03-07 details the procedures that allow schools to process dependency overrides, information which is also found in the 2002-2003 Federal Student Aid Handbook in the Application and Verification Guide (AVG). The AVG identifies a student’s abusive family environment or parental abandonment as conditions that qualify as unusual circumstances.

The AVG also identifies four conditions that *do not* qualify as unusual circumstances. Those circumstances are:

- Parents refusing to contribute to the student’s education.
- Parents unwilling to provide information on the application or for verification.
- Parents not claiming the student as a dependent for income tax purposes.
- Student demonstrating total self-sufficiency.

Timing of determinations for dependency override

The law requires that determinations of unusual circumstances for dependency override must be made each award year because the conditions that the FAA previously used to determine the student as independent may no longer exist. The FAA at the school the student is currently attending must make the determination and have the proper documentation to support the dependency override decision.

Also, the determination for dependency override made by an FAA at one school may not be binding at another school.

Documenting determinations for dependency override

In order to document an FAA’s decision to override a student’s dependency status, the FAA should require third-party written documentation supporting a student’s unusual circumstances. When that is not available, the FAA must include, in writing, a statement from the student relating to the unusual circumstances. Upon review of all documentation, the FAA must make a specific determination for the student.

After making a determination of dependency override, the FAA must prepare a written statement that includes the specific unusual circumstances used to make the determination. All documentation used to make the dependency override determination must be maintained by the school.

Reviewing policies and procedures for dependency overrides

ED encourages all schools to review their dependency override policies and procedures for consistency with ED's existing guidance and documentation requirements.

More information

To access DCL GEN-03-07, go to the Information for Financial Aid Professionals (IFAP) Web site at <http://ifap.ed.gov/dpcletters/GEN0307.html>.

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

TG updates

TG and Council offer new guide on school-servicer partnerships to enhance default prevention efforts

TG and the Council for the Management of Educational Finance recently unveiled a new version of *Servicers: Your Partners in Default Aversion – A Guide for Institutions of Higher Learning*.



How the guide helps schools

Cohort default rates in Texas have followed the downward trend seen nationally in recent years. However, default aversion continues to be a high priority for TG and the Council because rates tracked beyond the cohort calculation reflect an increase in defaults. This trend drives TG and the Council to remain proactive in helping institutions implement innovative default aversion strategies, which ultimately benefit students and families. The guide is designed to drive action plans for developing strategic partnerships that will strengthen an institution's default management plan.

"Time and again, our experience confirms that partnerships are absolutely essential to successful default aversion efforts," said Milt Wright, TG president and chief executive officer. "Institutions that work with their servicer, lender, and guarantor partners can maximize default aversion activities and ultimately increase the overall success of students' ability to fulfill their loan obligations."

What's inside

The guide includes an overview of federal due diligence requirements, activities, techniques, and tools that servicers use for delinquency resolution. New features include highlights of innovative practices of the servicing, school, and guarantor communities that go beyond required due diligence. In addition, several strategies are provided for schools to incorporate into their default aversion efforts.

"The servicing community has long recognized the need for collaboration to reduce default rates," said Lance Teinert, Council member, Student Loan Servicing Alliance (SLSA) president, and senior vice president for LoanSTAR Systems, Inc.

"Partnerships comprise a tenet in default aversion, and we are pleased that this guide continues to provide recent information and proven strategies that all partners in the industry can use to help reach families and students."

How to get a copy

The guide is available electronically on *TG Online* at www.tgslc.org/pdf/Service.pdf.

Printed copies of the guide are available by e-mailing communications@tgslc.org. Please include your name, address, and telephone number in your message.

Trends and issues

Edufacts™ – April 2003

Although state grant aid* to students in higher education has risen 161 percent in Texas since the mid-1990s, primarily as a result of establishment of the TEXAS Grant program in 1999, total state grant aid is less than half that of other large states. This is because Texas started from a lower threshold. In 1995-1996, Texas spent \$45 million in need-based and non-need-based grants, less than half the \$101 million spent by the next lowest comparable state, Florida. By 2000-2001, Texas was spending \$116 million. But even with this increase, Texas was spending just 38 percent of the amount spent by Florida, and only 18 percent of the amount spent by New York.

In 2000-2001, the second year of the TEXAS Grant program, Texas awarded \$35.8 million in the program. However, this amount did not bring Texas up to par with the national average or with other large states.

The TEXAS Grant assists both public and private school students, but 86 percent of the aid goes to students attending public schools. TEXAS Grant recipients must be enrolled on at least a three-quarter-time basis. They must also maintain a GPA of 2.5 on a 4.0 scale, complete at least 75 percent of the credit hours undertaken the previous academic year, and demonstrate financial need as determined by the Free Application for Federal Student Aid (FAFSA). In 2000-2001, the TEXAS Grant helped 18,162 students go to colleges and universities in Texas.

*State grant aid does not include grants awarded by public colleges and universities from their own revenue sources, such as tuition, fees, and returns on endowment investments.



Source: *The State of Student Financial Aid in Texas 2003*, published by TG.

This, that, and the other...

ED recently released a new version of FSA COACH, an online tutorial for financial aid administrators and other industry professionals. The tutorial is a comprehensive introductory course on school requirements for administering postsecondary federal student aid (FSA) programs authorized under Title IV of the Higher Education Act.

FSA COACH provides learners with information on FSA processes and the roles and responsibilities of the various players in student financial aid. The tutorial also provides users with lessons on determining student eligibility for federal student aid and evaluating a school's Title IV program management.

To access FSA COACH, visit www.fsacoach.ed.gov.



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