

In this issue:

Federal updates	1
Interest rates — how low will they go?	1
TG updates	3
New Council initiatives help reduce student loan default	3
Trends and issues	4
Online counseling to feature enhanced FAO access; prototype available for review. 4	
TG cosponsors chat event on loan consolidation	5
This, that, and the other...	6

Federal updates

Interest rates — how low will they go?

They said it couldn't happen again. For the last two years, Stafford and PLUS loan interest rates have dropped significantly, bringing great benefits for student loan borrowers across the nation. Now, amazingly, lightning has struck a third time, and the rates are even lower — the lowest they have ever been in the history of the FFELP.

On July 1, 2003, interest rates on new and existing Federal Stafford, SLS, and PLUS loans that are subject to the variable rate provision will be as follows:

- Federal Stafford loans during in-school, grace, and deferment periods — 2.82 percent.
- Federal Stafford loans during repayment and forbearance — 3.42 percent.
- Federal PLUS loans — 4.22 percent.

Calculation of rates

The following details apply to the calculation of rates for Federal Stafford loans:

- The loan interest rate formula is based on the bond equivalent rate of 91-day Treasury bills (91-day T-bill) auctioned at the final auction held prior to June 1.
- During in-school, grace, and deferment periods, the formula is the 91-day T-bill plus 1.7 percent, capped at 8.25 percent.
- During periods of repayment and forbearance, the formula is the 91-day T-bill plus 2.3 percent, capped at 8.25 percent.

For Federal PLUS loans first disbursed on or after July 1, 1998, the interest rate formula is the bond equivalent rate of the 91-day T-bill auctioned at the final auction held prior to June 1, plus 3.1 percent, capped at 9 percent.

Rates not yet available

Additional interest rates will be available later in June, when the rates upon which they are based will be determined.

- Older PLUS/SLS loans: Interest rates for older PLUS/SLS loans are based on the weekly average of the one-year constant maturity Treasury yield for the last calendar week ending on or before June 26. These rates are unavailable until the end of the month.
- HEAL portion of Federal Consolidation loans: The HEAL portion of Federal Consolidation loans is based on the average of the bond equivalent rates of the 91-day T-bills auctioned for the quarter ending June 30. These rates are also unavailable until the end of the month.

To access TG's annual interest rate chart for applicable interest rates, visit www.tgslc.org/pdf/intratechart.pdf.

Disclosing the new interest rates

To satisfy the interest rate disclosure requirement, lenders and servicers may choose to send TG's Notice of Guarantee/Disclosure (NOG) to the borrower. When doing so, the lender or servicer should send the original NOG plus the Interest Rate Addendum to borrowers whose loans were guaranteed before July 1, but not actually first disbursed until on or after July 1, 2003. (Some lenders print and send their own disclosure notices.)

Lenders should also send the Interest Rate Addendum when responding to NOG reprint requests. The borrower can then use the addendum to determine the applicable interest rate formula for the loan based on the time of its guarantee, which may vary from that posted on the reprint.

TG's NOG contains an interest rate message that states, "This is a variable rate, which may change each July 1. The interest rate shown is the rate in effect at the time of guarantee." The addendum includes the new July 1, 2003, Stafford and PLUS interest rates and is available on TG's Web site at www.tgslc.org. It is available in both the For Schools and For Lenders sections of the Web site.

Questions

For questions about the interest rate changes, call Kyle Smith at (800) 252-9743, ext. 4894, or send an e-mail message to kyle.smith@tgslc.org.

TG updates

New Council initiatives help reduce student loan default

Traditionally, schools compete with each other for students, for athletics, and for research dollars. Student loan lenders compete for borrowers and market share.



But in the case of the Council for the Management of Educational Finance, school and lender representatives come together to focus on preventing default. This collaboration has served the financial aid community well, and several new initiatives are making this a banner year for the Council.

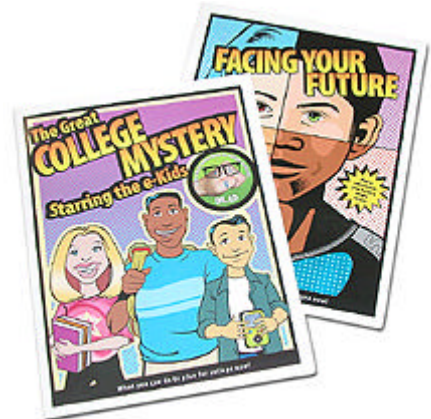
“This year has been an extraordinarily productive year for the Council,” said Vickie Reyes, TG’s director of community and public affairs and liaison to the Council. “We have accomplished several major objectives.”

Industry dialogue focuses on consolidation and alternative loans

Following up on the success of a productive industry dialogue last year, TG and the Council are hosting a second industry dialogue this week: “Education Loan Servicing in the New Economy: An Industry Dialogue with Loan Servicers.” The event, being held on June 5 in Dallas, will bring together members of the servicing, school, and lending communities to discuss consolidation and alternative loans and associated default aversion issues.

New publications reach middle and high school students

Working with TG, the Council introduced two colorful and informative publications: *The Great College Mystery* for middle school students and *Facing Your Future* for high school students. The new publications provide early education on debt management and college financing. The publications were distributed across the state in support of the College for Texans Campaign, and have received considerable acclaim. This summer, the Council and TG will unveil the Spanish-language editions of these publications.



Poster gives new meaning to the idea of a paper trail



Over the past few years, TG and the Council have produced a series of award-winning posters that use humor to encourage student loan repayment. New to the series this year is the “Paper Trail” default prevention poster.

Servicer guide updated

TG and the Council recently unveiled a new version of *Servicers: Your Partners in Default Aversion – A Guide for Institutions of Higher Learning*. The guide describes the techniques and tools that servicers use for delinquency resolution. The new guide also includes highlights of innovative

practices that go beyond the due diligence required by law, and several strategies schools can incorporate into their default aversion efforts. For more on the new servicer guide, see *Shoptalk Online* 204.

New training model coming soon

TG and the Council are putting the finishing touches on a new edition of the popular default prevention training model for schools. The updated model, called *A Clear and Present Danger to Institutional and Student Success*, integrates best practices in default aversion and strategic enrollment management. Copies of the new model will be available from TG soon—watch *Shoptalk Online* for details.

Council continues to evolve

Some of the new initiatives represent an evolution in the type of work the Council produces. The Council has adopted a much broader and comprehensive approach to default prevention, according to Vickie Reyes, TG's liaison to the Council. "The production of *The Great College Mystery* and *Facing Your Future* provide early education on debt management and college financing," said Reyes. "The revision of the servicer guide and the new edition of the Default Prevention Model provide a more holistic approach to default prevention."

The membership of the Council has also changed since it was created in 1997, reflecting a broad perspective in higher education. New representatives from the enrollment management community and the operations arm of student lending are bringing new ideas and perspective to the group.

The future

"The student loan industry landscape is highly fluid. It is partly influenced by its market-driven nature, by the advent of new technologies, by ever-changing and rapidly growing student demographics, and by state budget deficits and the upcoming reauthorization," said Reyes. "All of these factors may significantly influence student loan default aversion measures. The future of the Council will involve a continued focus on strategic enrollment management and take a proactive approach in dealing with the challenges to come."

More information

Want to know more about the Council? Contact Vickie Reyes at (800) 252-9743, ext. 4632, or send an e-mail message to vickie.reyes@tgscl.org. Information on the Council is also available on *TG Online* at www.tgscl.org/council/index.cfm.

Trends and issues

Online counseling to feature enhanced FAO access; prototype available for review

This summer, *Mapping Your Future* will upgrade its popular Online Student Loan Counseling (OSLC). The new version will feature an enhanced FAO Access Area to streamline the retrieval of student counseling records. Sneak previews of the new FAO area are available now, and *Mapping Your Future* is welcoming feedback from financial aid professionals.

Logging in

To preview the new FAO area, go to <https://dev.mapping-your-future.org/fao03/> and enter "000000" in the user name and password fields.

A guided tour

The following are a few new features to watch for in the next version of OSLC:

- *Spotlight*
The counseling types are now listed in the Spotlight on the left side of the screen. The new FAO Access Area will offer enhanced account management, allowing schools to have one account for all counseling types (although schools can opt to keep Stafford and Perkins counseling accounts separate).
- *Confirmations*
If a student has completed counseling during the current day, the student's confirmation number, last name, and first initial will be listed under the counseling type. A "download" option will be listed for students under each counseling type so schools can quickly print confirmations for that day.

At the request of many schools, the new "Since last download" option has been added. With this option, schools that access records midday or on an irregular basis won't need to remember their date range. Instead, they can download all records since the last time they downloaded.

- *Reports*
Report access is streamlined in the Reports area. Schools can download reports for more than one counseling type at a time. They can review the list of students for a particular date range or since the last download, or they can download those records without accessing the list first.

Feedback

Mapping Your Future appreciates the contributions of the many schools, volunteers, and sponsors that provide feedback about OSLC. Your input helps ensure more useful counseling for the borrowers we all serve. If you have feedback or questions about the new FAO Access Area, contact CariAnne Cutshall at carianne.cutshall@mapping-your-future.org or (573) 634-8641.

TG cosponsors chat event on loan consolidation

As interest rates are set to drop even lower this July, many borrowers are considering student loan consolidation to potentially lock in a lower rate. To help these borrowers weigh the pros and cons of consolidation, *Mapping Your Future*, a public service Web site sponsored by TG and other student loan guarantors, is offering an online live chat event at 6 p.m. (CDT) on June 10, 2003.

The chat is designed to help students and parents interested in consolidation make informed decisions. This chat provides a unique opportunity for participants to receive answers to specific loan consolidation and financial aid questions from financial aid and career experts from all over the country.

Topics

During the loan consolidation chat, students and their families will learn more about:

- Advantages and disadvantages of loan consolidation
- How to determine if loan consolidation is a good option
- Eligibility requirements
- Steps to apply for loan consolidation
- Other resources of information

Joining in

Anyone with Internet access can join in on the chat by visiting mapping-your-future.org. On the evening of the chat event, visitors should go to mapping-your-future.org and select the Chat session. Simple instructions will explain how to join the chat.

Coming attractions

Other chat topics for the coming months include:

- Online/distance education – July 8
- College admission and standardized tests – August 5
- Deferments, Forbearances, and Default Prevention – September 9

This, that, and the other...

According to the National Center for Education Statistics, in 1970, men were awarded a majority of all bachelor's degrees in all 50 states. By 2000, women earned a majority of bachelor's degrees in all 50 states.

To see how the numbers of men and women earning bachelor's degrees compare in your state during that period, link to the national map at www.postsecondary.org/pr/pr_02.asp and click on your state. This map and the associated charts were developed by the *Postsecondary Education OPPORTUNITY* newsletter, published by Tom Mortenson, an independent higher education policy analyst and senior scholar at The Pell Institute for the Study of Opportunity in Higher Education in Washington, DC.



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