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Federal updates

Final rules flashback

It seems like it was just yesterday that ED released the 2002 final rules. But now, eight months later, these new federal regulations are officially about to become effective. All of the 2002 final rules must be implemented July 1, 2003. You may have already implemented most of the final rules that pertain to your institution, however, since they could be implemented early on or after the date that they were approved — November 1, 2002.

The final rules brought changes to many areas of federal student aid administration, including return of Title IV funds, entrance and exit counseling, and loan deferment and forbearance. See “Final Rules Highlights” in *Shoptalk Online* Edition 182, for a summary of the rules.

Supplemental information available for Consolidation loan borrowers

Included in the final regulations issued by ED in the November 1, 2002, *Federal Register*, are provisions that permit FFELP Consolidation loan borrowers to receive loan discharges that would have been available if their original loans had not been consolidated. Specifically, a Consolidation loan borrower with an underlying PLUS loan, or a married couple with a joint Consolidation loan, may qualify for partial discharge under certain circumstances (see “Conditions for Discharge,” below). These provisions, which become effective July 1, 2003, are not included on the current version of the Consolidation Loan Application and Promissory Note (see “Update on Consolidation loan forms,” below). Therefore, lenders are encouraged to

disclose these provisions to new Consolidation loan borrowers for loans made on or after July 1, 2003, as well as to existing Consolidation loan borrowers.

Disclosing the new benefits

To assist lenders in disclosing these new benefits to borrowers, the National Council of Higher Education Loan Programs (NCHELP) has created a Supplemental Information sheet, approved by ED, that explains these discharge provisions. The Supplemental Information sheet is available for download from *TG Online* at www.tgslc.org/forms/frms_con.cfm.

Conditions for discharge

In the circumstances outlined below, a borrower may qualify for a partial discharge of his or her Consolidation Loan if the borrower submits required documentation.

- *Death of a dependent student when a PLUS loan obtained for the student has been consolidated.*

Upon the death of a dependent student, the portion of a Consolidation loan attributable to a PLUS loan obtained for that student is eligible for discharge. The parent borrower of the Consolidation loan remains responsible for repaying the remainder of the Consolidation loan.

- *Death of a joint Consolidation loan borrower.*

If one of the borrowers of a joint Consolidation Loan dies, the portion of the Consolidation loan attributable to that borrower is eligible for discharge. The surviving borrower remains responsible for repaying the remainder of the Consolidation loan.

- *Total and permanent disability of a joint Consolidation loan borrower.*

If one of the borrowers of a joint Consolidation loan becomes totally and permanently disabled, the portion of the Consolidation loan attributable to that borrower may be eligible for discharge. Both borrowers remain responsible for repaying the remainder of the Consolidation loan.

Additional considerations

The revised regulations are consistent with current regulations that allow partial discharge of Consolidation loans due to school closure, false certification of a borrower's loan eligibility, and unpaid refunds. Borrowers may take advantage of the new discharge ability regardless of the date on which the Consolidation loan was made or the date the discharge condition was met. However, a borrower who would have qualified for a discharge of a Consolidation loan under the new regulations may not apply for a discharge of a loan that has already been paid in full.

Update on Consolidation loan forms

The common Consolidation Loan Application and Promissory Note is set to expire on June 30, 2003, but because the form is currently still under ED review, lenders should keep using the current form until a revised one is made available. *Shoptalk Online* will keep you posted when the revised form is released for industry use.

More information

For more information about the new loan discharge provisions and other regulatory changes that will take effect on July 1, 2003, see “Final Rules Highlights” in *Shoptalk Online* Edition 182.

TG updates

New default aversion resources to debut at NASFAA

TG will unveil two new default aversion resources for schools at next month’s NASFAA Conference. Visitors to the TG booth (#515) will receive the first copies of a colorful new default prevention calendar and a newly updated edition of TG’s popular default aversion training model.

- **2003-2004 Default Prevention Calendar**

This new resource from TG gives schools 16 months worth of practical ideas for helping students avoid default. Each month features colorful and clever graphics that use humor to make points about financial issues facing students. The graphics were conceived as a fresh new extension of TG’s series of award-winning default aversion posters (examples of recent posters are featured on *TG Online* at www.tgslc.org/council/cmef_initiatives.cfm).

- **New Default Training Model**

In addition to updating content and enhancing the design, TG has given its popular default training model a new name: “A Clear and Present Danger to Institutional and Student Success: A Training Model for Embedding Student Loan Default Aversion within Strategic Enrollment Management.”

The new model explains how integrating default aversion strategies into institutional enrollment management plans can help students enjoy a sound financial future — and help produce higher graduation rates, increased alumni support, and stronger student connections for campuses using these strategies.

More conference information

For more information on what TG has in store for NASFAA attendees, visit our conference pages on *TG Online* at www.tgslc.org/nasfaa2003/index.cfm. The full agenda and further information on the conference is available on NASFAA’s conference site at www.nasfaa.org/subhomes/annualconference2003/home.html.

Reminder: TG holds consolidation teleconference this week

Loan consolidation has been a hot topic this year. More borrowers than ever are exploring consolidation as a means to lock in record-low interest rates. Now that rates are going even lower in July (see “Interest rates — how low will they go?” in *Shoptalk Online* Edition 207), we may have even more borrowers considering consolidation. To help you counsel borrowers about this option, TG is holding a teleconference entitled “Maximizing the Consolidation Opportunity” this Thursday, June 26, from 2–3 p.m. CDT.

The teleconference is free of charge and open to participants from any institution. Although the event is just a couple of days away, there's still time to register — just contact Premiere Teleconferencing at (800) 289-0579 and reference confirmation number 480261.

Conference registrants can also review materials related to the teleconference to help them prepare for the event on *TG Online* at www.tgslc.org/custfocus/teleconf030626.cfm.

TG, Council host gathering of student loan servicers

TG and its partner, the Council for the Management of Educational Finance, hosted 32 representatives of student loan servicers and other members of the student financial aid community in Dallas on June 5 for the second *Industry Dialogue with Loan Servicers*. This year's discussion topic was "Education Loan Servicing in the New Economy," which included an overview of economic indicators and a summary of borrower indebtedness and default/delinquency trends, followed by two roundtable discussions on loan consolidation and alternative loans.

This year's dialogue

As a result of the discussion, *Industry Dialogue* participants developed several recommendations that could be jointly implemented to strengthen default prevention efforts for students who receive alternative loans to finance their postsecondary education, or who consolidate their loans. These recommendations will be presented and discussed at the Council's annual planning meeting in late June.

"TG wholeheartedly appreciates the time and effort that the Council and our business partners committed to the *Industry Dialogue*," said Sue McMillin, TG senior vice president for customer relations and business operations. "It was very gratifying to us and to the other participants that this year's discussion focused on students and how to improve our collective efforts to help families and students effectively manage debt and prevent delinquency."

Participants

Participants from the lending and servicing communities included representatives from Affiliated Computer Services, Brazos Higher Education Service Corporation, Citibank, edamerica, First Marblehead Education Resources, First National Bank – Bryan/College Station, LoanStar Educational Loans, LoanStar Systems, Nelnet, North Texas Higher Education Authority, Panhandle-Plains Student Loan Center, Sallie Mae, Security Service Federal Credit Union, Southwest Student Services Corporation, Student Loan Xpress, SunTech, and Wells Fargo Education Financial Services.

Participants from the higher education community included representatives from Austin Community College, Berry College, Court Reporting Institute of Dallas, Southern Methodist University, Texas A&M University – Kingsville, Texas A&M University – College Station, Texas Tech University Health Sciences Center, University of Houston, University of Texas – Austin, University of Texas – Brownsville, and University of Texas – El Paso.

More information

Last year, discussion from the *Industry Dialogue* resulted in two publications that have been made available to the financial aid community: a white paper on loan servicing and a revised publication of "Servicers: Your Partners in Default Prevention." Both documents are available on *TG Online* at www.tgslc.org/council/cmef_initiatives.cfm or by calling (800) 252-9743, ext. 4990.

For more information about recent activity by TG and the Council, see "New Council initiatives help reduce student loan default" in *Shoptalk Online* Edition 207.

Legislative updates

The June 17, 2003, issue of the *Legislative Report* provides updates on a new federal deficit forecast from the Congressional Budget Office, and the latest developments in the appropriations process in light of limitations from the budget resolution. The report also includes news on Congressman George Miller's call for hearings on, and suspension of, a recent ED rule change that will raise the family contribution for needy postsecondary education students by modifying the formula used to distribute most of the \$90 billion in federal student financial aid funds. Read the full report on *TG Online* at www.tgslc.org/lege_report/index.cfm.

This, that, and the other...

Many schools have the impression that the Federal Trade Commission (FTC) rules on safeguarding information do not apply to them. However, the FTC has taken the position that its safeguarding rules *do* apply, particularly affecting student loan records and possibly others.

The Coalition of Higher Education Assistance Organizations (COHEAO) has information about the FTC rules on its Web site (www.coheao.com) and has a session entitled "Safeguarding of Personal Information: How the Federal Trade Commission regulations are affecting colleges and their service providers" scheduled for presentation during their 2003 Mid-Year Meeting on July 27-29 in Seattle, Washington.

Other sources of information on the FTC rules were provided in *Shoptalk Online* Edition 196.



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