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Federal updates

ED issues Perkins MPN implementation guidance

As announced in *Shoptalk Online*, Edition 217, ED recently released the paper and electronic versions of the Perkins loan Master Promissory Note (Perkins MPN) for schools to use in the upcoming 2003-2004 academic year. ED has also just released Dear Colleague Letter (DCL) CB-03-14 outlining its guidance for the implementation of the note.

CB-03-14 contains the following:

- General information about the Perkins MPN
- Guidance concerning the two options for using the new Perkins MPN (single-year use and multi-year use)
- Expiration conditions for the multi-year Perkins MPN
- The effective date of the Perkins MPN
- Document formats for the Perkins MPN

To access CB-03-14, visit the Information for Financial Aid Professionals (IFAP) Web site at www.ifap.ed.gov.

Trends and issues

Edufacts™ – July 2003

Ten years ago, student loans accounted for 47 percent of financial aid issued to postsecondary students nationwide, and grants accounted for 51 percent. Now, those proportions have been effectively reversed. In 2001-2002, loans accounted for 57 percent of financial aid while grants accounted for 42 percent.

In Texas, college students have relied even more heavily on student loans, both now and in the past. In 1991-1992, loans accounted for 62 percent of financial aid issued in Texas and grants accounted for 35 percent. And since then, the dependence has increased even further. By 2001-2002, 68 percent of aid in Texas came from loans and just 31 percent came from grants.

For families and students who want to learn more about the types of financial aid available to help them achieve their educational and career dreams, TG

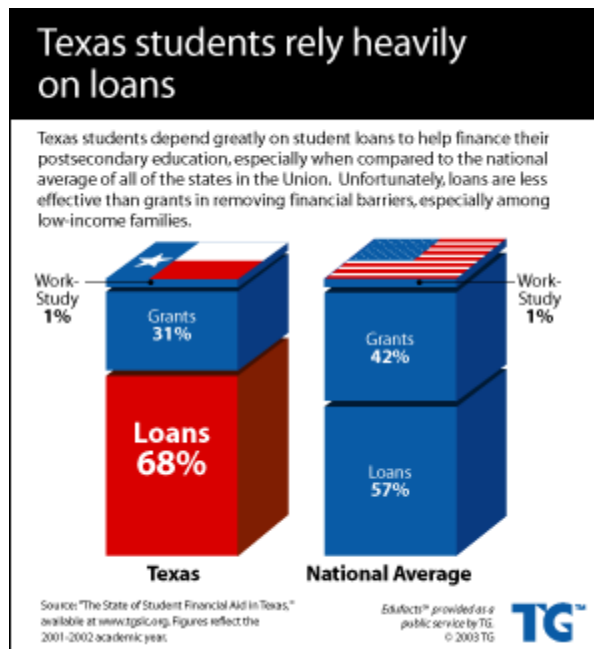
provides a public service Web site, *Adventures in Education*, at www.AIE.org. Information is also available by calling TG customer assistance at (800) 845-6267 or the Texas Financial Aid Information Center at (888) 311-8881.

High resolution files of the graphic above, suitable for publication, are available as a free download from *TG Online* at www.tgslc.org/edufacts/index.cfm. For more information, please e-mail kristin.boyer@tgslc.org or call (800) 252-9743, ext. 4990.

Stafford loan eligibility Q&A

Have you ever been in the process of figuring a student's Stafford loan eligibility only to find yourself tangled up in some of the tricky rules on the subject? TG has developed the following Q&As to provide illustrations of some of the more complicated applications of these rules. Use these examples the next time you're faced with a similar situation — or, if you have a question that is not addressed below, contact TG customer assistance at cust.assist@tgslc.org.

Note: the following Q&As presuppose that the student's cost of attendance is high enough to allow for the loan amounts discussed and that any estimated financial assistance that the student is receiving has been accounted for.



Q: If a third-year dependent student has no financial need (i.e., his or her expected family contribution [EFC] is higher than his or her cost of attendance [COA]), and the student's parents apply for and are denied access to a PLUS loan, what type and amount of Stafford loan can this student borrow?

A: First, the student can borrow up to the third-year annual loan limit for a dependent student, or \$5,500, in unsubsidized Stafford loan funds. The funds must be unsubsidized since the student has no financial need. Second, since this student's parents were denied access to a PLUS loan, the student can borrow up to the third-year annual loan limit in the additional unsubsidized Stafford loan available to students without access to PLUS, or \$5,000. Therefore, this student can borrow up to \$10,500 total in unsubsidized Stafford loan funds for the academic year.

Q: A second-year undergraduate independent student is certified for Stafford loan funds at school A for fall and spring, receiving \$1,750 in subsidized Stafford and \$2,000 in unsubsidized Stafford in the fall. The student transfers in the middle of the year and she is considered a first-year student at school B. What amount of Stafford loan funds can the student receive at school B for the spring?

A: Since the student has transferred and is considered a first-year student at school B, the student is eligible to receive the difference between what she received at school A in the fall and the first-year Stafford annual loan limit. Thus, for the spring, the student can receive (assuming that she has adequate financial need) \$875 in subsidized Stafford and \$2,000 in unsubsidized Stafford at school B. This means that at both schools, the student will have received a combined \$2,625 in subsidized Stafford and \$4,000 in unsubsidized Stafford, for a total of \$6,625. This is the annual loan limit for a first-year undergraduate independent student. The basis for this answer comes from the *Common Manual*, subsection 6.11.A.

Q: Under what circumstances is the proration of a Stafford annual loan limit required?

A: An undergraduate Stafford loan borrower is subject to certain prorated loan limits if he or she is enrolled in a program of study that meets either of the following criteria:

- The program's duration is shorter than the statutory minimum for an academic year (based on credit hours, clock hours, or the minimum 30 weeks of instructional time).
- The program's duration is equal to or longer than the statutory minimum for an academic year, but the borrower is completing the remainder of the program in a period of enrollment that is shorter than an academic year.

The *Common Manual* provides a chart (Figure 6-4, Stafford Annual Loan Limits) that shows how prorational calculations are performed.

Q: A dependent student has borrowed Stafford funds up to his annual loan limit. The student's parents have also borrowed a PLUS loan and have received funds within the same loan period. The student has not been awarded up to the cost of attendance and needs an additional loan, so his parents apply for an additional PLUS loan; but this time, they are denied.

Can the student be awarded an additional unsubsidized Stafford loan for the loan period based on the denial of the parents' additional PLUS loan request, even though an earlier PLUS was approved?

A: Yes. "If a parent of a dependent student is initially determined to be eligible for a PLUS loan but subsequently is denied additional PLUS loan funds for the same loan period, the school may choose to certify additional unsubsidized Stafford loan funding for the student, not to exceed the maximum additional unsubsidized loan amounts. Any eligible PLUS loan proceeds delivered or scheduled for future delivery during the loan period must be included in the estimated financial assistance (EFA) used in determining eligibility for the additional unsubsidized Stafford loan. The school need not recover or refund PLUS loan funds for which the parent was previously determined eligible and that have been released to the parent or student before the parent was determined ineligible for additional funding." — *Common Manual*, subsection 6.15.D.

Q: How does a school determine whether a health professions student is eligible for an increased unsubsidized Stafford loan limit?

A: The *Common Manual* has an entire subsection devoted to this topic. See subsection 6.11.C.

Q: If a student has borrowed additional unsubsidized Stafford loan funds due to her parents' PLUS denial, do those funds count against her dependent Stafford aggregate loan limit?

A: No. This dependent student can borrow over the \$23,000 dependent aggregate limit only in the amount of funds that she borrowed due to her parents' PLUS denial. So, if this student has borrowed a total of \$33,000 in Stafford loan funds, but \$10,000 was due to previous PLUS denials, then this student is just now at her Stafford aggregate limit.

Q: A second-year dependent student has been awarded up to his annual loan limit (\$3,500) in Stafford loan funds for the academic year. After the first semester, the student acquires enough credits to be considered a third-year student. Can the school now award the student the difference between the second-year and third-year annual loan limit?

A: Yes. Since the student is now a third-year dependent student, the school may certify the student for an additional \$2,000 in Stafford loan funds. Thus, the student will be awarded a total of \$5,500 for the year (which is the dependent third-year annual Stafford loan limit).

Q: Can a school certify a dependent student for additional unsubsidized Stafford loan funds (on top of the dependent student annual loan limit) based on the school's decision not to participate in the PLUS Loan Program?

A: No, a school may not certify additional unsubsidized Stafford loan funds for a dependent student based on the school's decision not to participate in the PLUS Loan Program. Only a school that participates in the PLUS Loan Program may certify additional unsubsidized Stafford funds for a dependent student whose parent is unable to obtain a PLUS loan. This information is located in the *Common Manual*, subsection 6.15.D.

Loan limits may be on the rise

Annual and aggregate loan limits are a hot topic for discussion as the reauthorization of the Higher Education Act approaches. Many industry participants feel that the time has come to raise loan limits, since they haven't been increased since the 1992 reauthorization and current limits have not kept pace with the rising cost of attendance for postsecondary education. Other industry participants are concerned that raising loan limits will only cause students to incur more loan debt and that students already have considerably high loan debt when they exit postsecondary education. Stay on top of this and other developing issues by visiting TG's reauthorization Web page on a regular basis. To access the page, go to www.tgslc.org/reauth/index.cfm.

More information

The *Common Manual* contains concise, easy-to-access information on how to determine Stafford loan eligibility in chapter 6 (School Certification). The 2003 *Electronic Common Manual* is available on *TG Online* at www.tgslc.org/resources/integrated_online_manual.cfm.

Common Record: CommonLine is on the horizon

The Common Record is a new standard within the student financial aid community that allows schools to transmit data and receive funds for several different types of aid through one electronic system. Common Record achieves this task by standardizing the data elements, definitions, edits, and structure of all of the incorporated aid programs. Currently, Common Record accommodates the Pell grant, Direct loan, and campus-based aid programs and is a “flexible record” that will soon be used for FFELP and alternative loan funds as well.

Background

In May 2002, ED’s Office of Federal Student Aid (FSA) converged three existing federal aid distribution systems (for Pell grants, Direct loans, and campus-based aid) into one – the Common Origination and Disbursement (COD) system. The COD system uses XML (Extensible Markup Language) technology, which is designed for real-time data exchange and transactions. Common Record: COD is the mechanism used by schools to transmit student financial assistance data to the COD system.

FFELP and alternative loans joining in

For the past 18 months, FSA, the Postsecondary Electronic Standards Council (PESC), and the National Council of Higher Education Loan Programs (NCHELP) have been working collaboratively on the development and design of the Common Record standard for CommonLine. Common Record: CommonLine (CRC) will be the mechanism used by schools to transmit student financial assistance data to guarantors, lenders, and servicers for processing FFELP and alternative loans.

In summer 2002, FFELP and alternative loan program service providers, through NCHELP’s Electronic Standards Committee (ESC), began developing a FFELP and alternative loan Common Record XML standard for CRC. The team has worked together to achieve consensus on an XML standard that enables all participants to receive maximum benefit from the adoption of this technology and standardization of like processes where possible. It should be noted that due to differences in COD and FFELP business requirements, the Common Record schemas for COD processing are not identical to the CRC schemas used for FFELP and alternative loan processing.

Converging CRC with the Common Record: COD will enable all industry partners to take advantage of commonality across programs, maximize the use of common data elements and edits, and eliminate redundant student identifier information.

Recent developments

As of July 2003, FSA was requiring all schools to be ready to process Direct loans, Pell grants and campus-based aid using the Common Record: COD starting in the 2004-2005 award year. FSA announced last month that they are relaxing the

requirement for schools to migrate to the Common Record: COD from 2004-2005 to 2005-2006. This means that all schools, third-party software providers, and servicers must be able to send and receive data in XML-based Common Record formats no later than the 2005-2006 award year.

Soon after this announcement, the NCHHELP ESC Steering Committee and members of the NCHHELP ESC leadership team met via conference call with the financial aid management system (FAMS) software providers to discuss how this shift by FSA may impact their implementation plans for CRC. Overall, the software providers have agreed to move forward with the CRC project within the previously established timeframe.

In September 2003, the ESC Steering Committee plans to meet with the software providers and schools again to evaluate their progress and to ensure that the community is on track for a 2004-2005 award year Common Record implementation.

Reference materials available

NCHHELP has recently posted Common Record: CommonLine documentation on the NCHHELP Web site at www.nchelp.org/committees/e_standards/CommonRecordCommonLine.htm.

The CRC Implementation Guide, version 1.0, provides instructions for processing CommonLine data in an XML manner, utilizing the Common Record structure. Each section (i.e., Request, Response, and Disbursement) contains detailed layout tables. These tables provide requirements for creating, sending, and accepting documents in this new process. The layout tables, which are the critical components of the CRC documentation, are final, as are most other sections of the guide. From the industry's perspective, everything needed to implement the new CRC process has been finalized in this guide.

There are, however, a few sections in the guide annotated as "to be published" or "draft" that contain information that supports CRC layout tables, or provide examples or additional clarification of the overall process. ESC will continue to work on and finalize these "to be published" and "draft" segments over the next several months and will post periodic revisions to the CRC Implementation Guide to the NCHHELP Web site. ESC does not anticipate any changes to the functionality or process proposed within the documentation.

TG's CRC implementation plans

TG's contribution to the development of the new CRC process for FFELP and alternative loans has been integral to its success thus far ? and TG continues to play a valuable role in its evolution. During a recent ESC meeting, it was determined that the industry will be implementing CRC in late spring through fall of 2004. TG is on schedule to implement CRC within this timeframe.

More information and questions

For more information on the CRC process, view the “Common Record/CommonLine Convergence” presentation from the 2003 TG Conference, available on *TG Online* at www.tgslc.org/resources/presentations.cfm.

For questions related to TG’s implementation of the CRC process, contact Kyle Smith, TG assistant vice president for loan guarantee operations, at kyle.smith@tgslc.org. Questions or issues concerning the CRC Implementation Guide should be entered into the online Issue Reporting Forms on the NCHELP Web page at www.nchelp.org/committees/e_standards/CommonRecordCommonLine.htm.

Common Manual

***Common Manual* leadership changes announced**

The *Common Manual* Governing Board is pleased to announce several changes to its leadership for the 2003–2004 fiscal year, which began August 1, 2003. The board oversees the annual update and production of the *Common Manual* and *e-Collection* CD-ROM.

Governing Board elects new leadership

Becky Collins, manager of the policy and compliance division at the Student Loan Guarantee Foundation of Arkansas, began her term as the Governing Board’s chair on August 1, 2003. An experienced financial aid director, she has served on numerous committees in the student financial aid community at the state and national level, and is currently a member of both the NCHELP Program Regulations Committee and the *Mapping Your Future* Default Prevention Committee.

Betsy Mayotte, manager of regulatory compliance at American Student Assistance, is the Governing Board’s chair-elect. Her term as Governing Board Chair will begin August 1, 2004. She has 7 years of education financing experience. She serves on NCHELP’s Program Regulations Committee and MASFAA’s Government Relations Committee. As a former member of the *Common Manual* Policy Committee, she has been directly involved in developing policy proposals for the annual update of the manual.

Policy Committee veterans return to leadership positions

Beginning August 1, two valued and highly experienced Policy Committee members resume leadership roles: Brenda Grady from USA Funds assumes a one-year term as the Policy Committee’s chair, and Jacki Fairbairn from Great Lakes Higher Education Guaranty Corporation begins her one-year term as chair-elect. Both have been members of the Policy Committee since its inception in 1995, and both are past chairs of the committee.

TG participation continues

Members of TG's policy and regulatory affairs team will continue to serve on the Common Manual Policy Committee and Governing Board.

TG senior policy advisors, Michelle Anderson and Kelly Kaelin, will continue to serve on the Policy Committee. Michelle recently completed her second consecutive term as co-chair of the committee, and will continue to serve as a voting member. Kelly will continue to serve as editor for the Policy Committee.

Nina Hold, TG assistant vice president for policy and regulatory affairs, continues to serve on the *Common Manual* Governing Board. Nina served on the team that originally developed the *Common Manual* and has represented TG on the Governing Board ever since.

This, that, and the other

TG officially began the Texas Sunset review process on August 14, 2003, with its submission of the Self Evaluation Report (SER) to the Texas Sunset Advisory Commission. TG invites its customers and business partners to review the SER and to submit any comments or suggestions to the Sunset Advisory Commission on ways TG may more effectively perform its functions.

To read the document and to find out more about the Sunset review process, including how to submit comments, visit TG's Sunset review Web page on *TG Online* at www.tgslc.org/resources/sunset_review.cfm.



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To ask questions about *Shoptalk Online*, please contact Communications at (800) 252-9743, ext. 4732 or communications@tgslc.org.

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