

In this issue:

Trends and issues	1
RT4 — Still crazy after all these years.....	1
Topsy-turvy terminology.....	3
Common Manual	4
<i>Common Manual Updates</i>	4
New training brief explains subdivision of chapters.....	8
Legislative update	8
This, that, and the other	8

Trends and issues

RT4 — Still crazy after all these years

As the 3-year anniversary of the implementation of Return of Title IV Funds (RT4) approaches, the financial aid and student loan communities are still coming to grips with the complexities of RT4. TG continues to receive a steady stream of RT4 questions. Naturally, we remain committed to helping our school partners address any RT4 challenges they face. In this spirit, we'd like to share our answers to some of the excellent RT4 questions that we have recently received.

Q: What is a school's responsibility if a student makes failing grades in all of the classes that he or she attempted for a particular term?

A: Schools must have a mechanism in place to identify which students make failing grades in all of the classes they attempt. This mechanism serves not only as a retention tool but also allows schools to examine those students' circumstances to determine whether any of them ceased attendance during the term. If a student fails all of the classes he or she attempted, the school cannot assume that the student completed the payment period — the student may have instead withdrawn without notifying the school. If a school that does not take attendance cannot verify that the student actually completed the term, it must consider the student to be an unofficial withdrawal. In this situation, the school must complete a RT4 calculation using either the midpoint of the term or the student's last date of attendance at, or participation in, an academically related activity as the student's withdrawal date.

Q: If a student does not attend at least one day of class, do the RT4 rules apply?

A: No. If a student notifies a school that he or she did not attend at least one day of class in a payment period or period of enrollment, as applicable, the return of Title IV funds rules do not apply. In this situation, the school must follow the regulations in 34 CFR 668.21 and 682.604(d)(4) and return all funds received for the student to the appropriate Title IV programs.

Q: If a student dies before completing the semester, is the school required to perform an RT4 calculation?

A: Yes, the school is required to perform an RT4 calculation. If the calculation indicates that the school is required to return funds, it must do so within the required timeframe. If the calculation indicates that the student is required to return funds, however, the student's estate is not required to do so; thus, the school should not report any overpayment to the National Student Loan Data System (NSLDS).

Q: What is the timeframe for a school to return unearned Title IV funds?

A: A school must return unearned Title IV funds within 30 days from the date that it determined that the student withdrew.

Q: Does RT4 come up often during a school program review?

A: Yes. The Program Review team consistently reviews on the topic of Return of Title IV Funds. Findings frequently stem from errors associated with the criteria used to complete the calculation. Common errors include:

- Incorrect determination of the student's withdrawal date.
- Use of an incorrect payment period or period of enrollment.
- Improper method of establishing breaks or leaves of absences as applicable to RT4.

RT4 resources

For more information, the RT4 federal regulations are located in 34 CFR 668.22. In addition, the *Federal Student Aid Handbook* (Volume 2, Institutional and Program Eligibility) provides guidance in Chapter 6A, Return of Title IV Funds. ED also issued Dear Partner Letter GEN-00-24 on the subject of RT4, available at www.ifap.ed.gov/dpclatters/gen0024.html.

Topsy-turvy terminology

Who doesn't like the word "refund?" It's always good to receive a refund, isn't it? If you pump four quarters into a vending machine only to find that your selection is sold out, isn't it nice to hear the sound of your refund clanging down into the coin return? And if you overpay on your taxes throughout the year, isn't it wonderful to receive that tax refund from the IRS?

The financial aid industry uses the term "refund" too. "Refund" has a very specific definition for financial aid purposes, which is provided below. But over the years, the term has been used to mean several other things, as illustrated in this article.

A **refund** is the money a student receives from the school when he or she drops a class or withdraws within a specified time frame as determined by the school. The amount of a refund is the difference between the amount the student paid toward institutional charges and the amount the school can retain under its refund policy.

Well, that makes sense. So where's the confusion? What else is the term "refund" used to represent?

First, "refund" is often used to mean "credit balance." When a school delivers financial aid proceeds to a student's school account, the total amount of funds credited to the account may exceed the amount of the student's institutional charges. This excess, commonly referred to as a **credit balance**, is then provided directly to the student — usually in the form of a paper check or by direct deposit, although some schools now have debit accounts from which students can draw their financial aid funds.

Second, "refund" is often used to mean "return of Title IV funds." **Return of Title IV funds** (also known as RT4) is the process by which a school calculates the amount of federal funds to be returned for a Title IV aid recipient who withdraws during a payment period or period of enrollment. The phrase "return of Title IV funds" is also used to mean the actual amount that the school or student must return to the appropriate Title IV program if the school determines that the student did not earn all of the funds that he or she received during a payment period or period of enrollment. People often call this amount a "refund"—but it is really a "return of Title IV funds."

More information

For more information on these terms, see the *Integrated Common Manual*, available on *TG Online* at www.tgslc.org/resources/integrated_online_manual.cfm.

Common Manual

Common Manual Updates

On August 21, 2003, guarantor representatives who serve on the *Common Manual* Governing Board approved several changes to the *Common Manual*. Details on these changes and a newly updated *Integrated Common Manual* incorporating the changes are now available online at www.tgslc.org/resources/integrated_online_manual.cfm.

Closed School Loan Discharges

Revised *Common Manual* policy changes the formatting of subsection 12.8.B and creates a separate subheading for language specific to suspending and resuming collection activities during the closed school loan discharge process. This change conforms text in this subsection with the text formats in other subsections within section 12.8. Selected text from the first and second paragraphs under the subheading "Identifying Potentially Eligible Borrowers" has been moved to be the first and third paragraphs under the new subheading "Suspending Collection." The first paragraph of text under the subheading "Notification to the Borrower" has been moved to become the second paragraph of text under the subheading "Suspending Collection." Under this subheading, the text has been revised to clarify that once a lender receives reliable information that a borrower may be eligible for a closed school loan discharge, the lender *must* immediately suspend all collection activities and *may* place any affected loan in an administrative forbearance while awaiting confirmation of the borrower's eligibility for loan discharge. If the borrower's account is placed in a forbearance status, then the forbearance must continue until the lender receives confirmation of the school's closing and confirmation of the borrower's eligibility for loan discharge.

Revised policy also moves text pertaining to skip tracing from the subheading "Procedure for Discharging Loans" to "Notification to the Borrower" and adds text to clarify that if the request is re-sent to the borrower, the administrative forbearance period must not exceed a total of 60 days after the date on which the lender originally mailed the request to the borrower.

Affected Sections: 12.8.B

Effective Date: Retroactive to the implementation of the *Common Manual*.

Basis: §682.211(f)(7); §682.402(d)(7).

Policy Information: 632/Batch 99

Guarantor Comments: None.

Claims

Common Manual policy in section 2.2 has been amended to more clearly iterate that the life of a FFELP loan ends when the loan is paid in full—or when the outstanding loan amount is fully discharged or forgiven. Phase 3 of the life of a loan has been updated to include that in addition to when the loan is paid in full by the borrower, the lender’s obligation to maintain or service the loan ends when the loan is paid by consolidation, paid by the guarantor as a claim, or fully discharged or forgiven. In addition, subsection 2.2.C is updated to include that a loan that is forgiven is generally eligible for claim payment from the guarantor, and that certain forgiveness programs do not involve the guarantor, but rather involve direct reimbursement from the Department to the lender. Also, clarification has been added to state that permanently discharged and forgiven loans are not subject to further collection activities.

Affected Sections: Figure 2-1, 2.2, 2.2.C

Effective Date: Retroactive to the implementation of the *Common Manual*.

Basis: §682.215; §682.402; Federal Register, vol. 67, no. 168, dated August 29, 2002.

Policy Information: 692/Batch 105

Guarantor Comments: None.

“The Life of a PLUS Loan” Flow Chart

The *Common Manual* has been revised to include changes to the information in the “The Life of a PLUS Loan” flow chart, Figure 2-2, regarding the PLUS Application and Master Promissory Note (PLUS MPN), and acknowledges that a PLUS borrower enters repayment status when a loan is fully disbursed. The flow chart has also been revised to more accurately reflect flexible processing scenarios, similar to the processing scenarios acknowledged in the “The Life of a Stafford Loan” flow chart.

Affected Sections: Figure 2-2

Effective Date: The PLUS Application and Master Promissory Note (PLUS MPN) may be used for PLUS loans certified by the school for loan periods beginning on or after July 1, 2003. The PLUS MPN must be used for loan periods beginning on or after July 1, 2004, or for any loan certified on or after July 1, 2004, regardless of the loan period.

Basis: DCL GEN-03-03.

Policy Information: 693/Batch 105

Guarantor Comments: None.

Financial Responsibility for For-Profit Servicers

The *Common Manual* has been updated to align current text regarding financial responsibility standards with the federal regulations. Updated policy confirms that, in addition to other criteria, a for-profit servicer must have debt obligations (without insurance, guarantee, or credit enhancements) that are currently issued and outstanding and are listed at or above the second highest rating level of credit quality given by a nationally recognized statistical rating organization.

Affected Sections: 3.6.B

Effective Date: Retroactive to the implementation of the *Common Manual*.

Basis: §668.15(b)(7)(ii).

Policy Information: 694/Batch 105

Guarantor Comments: None.

Withdrawal Dates

The *Common Manual* has been updated to provide guidance for schools to determine a student's withdrawal date if the student fails to earn a passing grade in at least one class *and* the school is unable to confirm the student's attendance through the end of the payment period or period of enrollment, as applicable. In this case, the school must use either the midpoint of the period or the student's last day of participation in an academically related activity—as documented by the school—as the student's withdrawal date.

Affected Sections: 4.6

Effective Date: Unofficial withdrawal determinations made by the school on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999.

Basis: §668.22; 2002-2003 *Federal Student Aid Handbook*, Volume 2 Institutional Eligibility and Participation, Chapter 6, pages 2-114 and 2-115.

Policy Information: 695/Batch 105

Guarantor Comments: None.

Consolidating Alternative Loans

The *Common Manual* has been revised to clarify that other education loans that the lender considers when determining the length of the repayment period for a Federal Consolidation loan are those made to a borrower by an organization under a public or private student loan program exclusively for the purpose of financing the borrower's or a dependent student's postsecondary education. This revision was necessary to clarify the application of the policy to a parent loan borrower who obtains a Federal Consolidation loan.

Affected Sections: 9.5.B

Effective Date: Retroactive to the implementation of the *Common Manual*.

Basis: §682.209(h).

Policy Information: 696/Batch 105

Guarantor Comments: None.

Revised Claim Definition

The *Common Manual* definition of “claim” has been amended to be more general, referring to all claim, forgiveness, and discharge types. The definition reads as follows:

Claim: The process by which the lender (or the lender’s servicer) requests reimbursement from the guarantor for its losses on a Federal Stafford, SLS, PLUS, or Consolidation loan due to the borrower’s default or eligibility for loan discharge or forgiveness.

Affected Sections: appendix G

Effective Date: Retroactive to the implementation of the *Common Manual*.

Basis: §682.402(l)(3).

Policy Information: 697/Batch 105

Guarantor Comments: None.

Definition of Reaffirmation

The *Common Manual* has been updated to include the definition of “reaffirmation” in the glossary as follows:

Reaffirmation: A borrower’s acknowledgment of a loan repayment obligation—including all principal, interest, collection costs, legal costs, and late charges—in a legally binding manner.

Affected Sections: appendix G

Effective Date: Retroactive to the implementation of the *Common Manual*.

Basis: §682.201(a)(4).

Policy Information: 698/Batch 105

Guarantor Comments: None.

New training brief explains subdivision of chapters

The *Common Manual* Policy Committee recently released the third in a series of training briefs for users of the manual. The new brief explains changes to the manual's core chapters and how each one was subdivided into shorter, more focused chapters. All training briefs to date are available on *TG Online* at www.tgslc.org/resources/cm_training.cfm.

TG hopes that you find the training briefs useful. If you have any topic suggestions or comments on the briefs, please contact Michelle Anderson, TG senior policy advisor and a member of the *Common Manual* Policy Committee, at michelle.anderson@tgslc.org or (800) 252-9743, ext. 4608.

Legislative update

The September 4 issue of TG's *Legislative Report* includes a letter on FY 2004 appropriations that was sent by SWASFAA, TASFAA, ATLE, and TG to U.S. Senate offices for Texas, Arkansas, Louisiana, Oklahoma, and New Mexico. Also included is an update on the status of major student aid-related legislation filed during the first session of the 108th Congress.

Read the full report on *TG Online* at www.tgslc.org/lege_report/index.cfm.

This, that, and the other

The Southern Regional Education Board (SREB) recently released the new 2003 edition of its popular *SREB Fact Book on Higher Education*. The fact book compares national, regional, and state data on college enrollments, degrees, tuition and fees, faculty profiles and salaries, and college finance and budgeting information. The focus is on trends affecting colleges and universities in the 16 SREB member states: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

An online version of the new fact book and state-specific reports are available on the SREB Web site at www.sreb.org/main/EdData/FactBook/factbookindex.asp.



P.O. Box 201725
Austin, Texas 78720-1725
(800) 252-9743
(512) 219-5700
(512) 219-4560 TDD

Shoptalk Online is published by TG. Unless specifically noted, the policies and procedures outlined in *Shoptalk Online* apply only to loans made under the TG 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.

Contributors to this edition: Andrés Cordero, Jr., David Garza, Kelly Kaelin, Art Martinez, Steve Schmidt, and George Torres. Edited by TG Communications and Policy and Regulatory Affairs. Designed by TG Communications.

©2003 Texas Guaranteed Student Loan Corporation.

The TG logo is a trademark of Texas Guaranteed Student Loan Corporation.