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Tip^{of} the Week

Provide debt management workshops to students. The TG Speakers Bureau can help by bringing programs like "Money Management 101" to your campus. Call TG at (800) 252-9743, ext. 4650, to find out more.

Federal updates

Texas teacher shortage areas for 2003-2004 announced

On October 22, 2003, the Texas Education Agency (TEA) released ED's list of subject-matter teacher shortage areas for Texas. Full-time teachers in designated shortage areas at public or nonprofit private elementary or secondary schools may be eligible for the teacher shortage area deferment on certain FFELP loans.

The designated 2003-2004 shortage areas for Texas are:

- Special Education
- Bilingual/ESL
- Mathematics
- Science
- Foreign Languages
- Technology Applications

Borrower eligibility

A teacher shortage area deferment is only available to a borrower who has an outstanding Federal Stafford or SLS Loan that was first disbursed on or after July 1, 1987, but before July 1, 1993. Federal PLUS and Consolidation Loan borrowers are not eligible for this deferment.

A qualifying teacher can apply for the deferment using the Education Related Deferment Request form (EDU) at any time during the life of the loan. If the teacher continues teaching in the area for which he or she received the original deferment, the teacher may request and receive subsequent deferments. A teacher retains continued eligibility for the deferment even if the subject area in which the teacher instructs is not subsequently designated as a shortage area.

A qualifying teacher may receive up to a cumulative total of three years of the teacher shortage area deferment.

Certification

School principals are authorized to act on behalf of the Texas Commissioner of Education in certifying a teacher's EDU deferment request form for Federal Stafford or SLS loans.

More information

For more information on designated subject-matter teacher shortage area benefits, visit TEA's website at <http://www.tea.state.tx.us/taa/depcom102203.html>.

For questions regarding the teacher shortage area deferment, teacher loan forgiveness, or other borrower benefits, call TG Customer Assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgsllc.org.

TG updates

TG's efforts proving effective in preventing delinquency and default

The evidence is in. TG, under its Voluntary Flexible Agreement (VFA) with the U.S. Department of Education, is having success in helping student loan borrowers avoid problems with loan repayment. During its most recent fiscal year, which ended September 30, 2003, TG worked more closely than ever with its business partners to achieve an 8 percent improvement in its delinquency prevention rate, and TG's cure rate performance for default prevention has improved by more than 1 percent. As a result, claim payments for defaulted loans have declined 11.5 percent, representing a \$37 million decrease.

Measures of success

TG's cure rate measures success in getting borrowers back into repayment ("curing the loan") after receiving a default aversion assistance request (DAAR) from a lender or servicer, the crucial time after which the loan may slip into default.

Since inception of the VFA in FY 2001, TG has also tracked its delinquency prevention rate. This rate measures TG's ability to keep a low number of DAARs in relation to the total dollar amount of loans in repayment. To effect change in the delinquency prevention rate, TG has begun working with borrowers earlier, contacting them as soon as they leave school and enter their grace period.

Overall, the number of DAARs received from lenders and servicers declined by 1 percent during FY 2003, which reflects \$22 million in loan delinquencies prevented.

"The most significant impact of these results is the difference our efforts are making in the lives of students and families," said Milt Wright, TG president and chief executive officer. "We're finding that working with borrowers earlier in the process helps them become better informed about repayment, and therefore, more likely to successfully manage their debt."

The story behind the rates

Shelia Dunlap, TG assistant vice president for default prevention, points to specific new initiatives that have helped make an impact in preventing delinquency. These initiatives include direct mailings and targeted phone calls to borrowers throughout their grace period.

"With the adoption of our VFA, we began looking at ways to focus on preventing delinquency," said Dunlap. She went on to explain that TG's delinquency prevention efforts are focused on borrowers entering a new phase in their lives — borrowers who often have given very little thought to the repayment of their student loans. Challenges have included educating customers about the ways in which TG can help, and then following up with tools and resources to help borrowers develop and maintain responsible repayment habits. "When you work on something new, half the battle is figuring out an approach, trying it, adjusting it, and trying again," said Dunlap.

Another key approach TG has incorporated into its delinquency prevention efforts involves specific counseling for students who have stopped out or dropped out. Recognizing that the likelihood of default significantly increases if students do not complete a program of study, TG counselors have begun providing information to help students re-enroll or make additional progress toward completing their studies.

Partners a crucial part of success

"We appreciate the cooperation from our lending and servicing partners that allows us to work with borrowers earlier," said Wright. "We realize that it takes the

collective effort of the student financial aid community to prevent default, and we want to share the credit and success we've experienced with our partners."

Trends and issues

Topsy-turvy terminology

Wouldn't life be simpler if everything had just one name?

Unfortunately, the financial aid industry has a few situations in which there are multiple terms for similar concepts. One example is the triumvirate of "discharge," "forgiveness," and "cancellation." These terms all have a very similar meaning pertaining to federal student loans. Fortunately, however, each term has a subtle difference from the others, and we'll go through each of their distinct meanings in this article.

Discharge

Loan "discharge" is the release of a FFELP loan borrower's obligation to repay his or her loan, either in whole or in part ? generally due to circumstances beyond the borrower's control. There are several circumstances under which a borrower's loan obligation may be discharged:

- The borrower or, in the case of a PLUS Loan, the dependent student for whom the loan was obtained, dies.
- The borrower becomes totally and permanently disabled.
- The borrower's or, in the case of a PLUS Loan, the dependent student's, school closes.
- The borrower's eligibility for a loan is falsely certified.
- The borrower's or, in the case of a PLUS Loan, the dependent student's, school fails to pay the student a refund to which the student is entitled.
- The borrower becomes bankrupt. (Note: It is very rare that a borrower who has filed bankruptcy is eligible for a discharge of his or her loan.)

For more information on loan discharge, see the *Common Manual*, section 12.8.

Forgiveness

Loan "forgiveness" is also the release of a Stafford Loan borrower's obligation to repay a loan, either in whole or in part — but forgiveness is granted as a result of some sort of public service provided by the borrower. There are currently two types of Stafford Loan forgiveness:

- Teacher loan forgiveness

- Child care provider loan forgiveness

For more information on loan forgiveness, see the *Common Manual*, section 12.9.

Cancellation

Loan “cancellation” is also — you guessed it — the release of a borrower’s obligation to repay a loan, either in whole or in part, but this term is used almost exclusively in reference to Perkins loans.

Perkins loans have all of the discharge and forgiveness types that FFELP loans do, with three exceptions: the Perkins Loan Program does not have a program for child care provider loan forgiveness, and does not cancel loans due to false certification or unpaid refund. Perkins loans do, however, have several other cancellation types that Stafford Loans do not, including:

- Nurse or medical technician loan cancellation
- Law enforcement or corrections officer loan cancellation
- Professional provider of early intervention services for the disabled loan cancellation
- Public or nonprofit child or family services agency employee loan cancellation
- U.S. Armed Forces loan cancellation
- Vista or Peace Corps volunteer loan cancellation
- Education component of Head Start program staff member loan cancellation

As a side note, there are still a few references to “cancellation” (in the context of loan discharge) in the FFELP, but these references appear to be on their way out, in favor of the term “discharge” instead. One example of the recent move to the word “discharge” was in the change of the name of the total and permanent disability discharge form from “Total and Permanent Disability Cancellation Request” to “Loan Discharge Application: Total and Permanent Disability” in January of this year.

Handy MYF chart

Mapping Your Future, a public service Web site sponsored by TG and other guarantors, contains a comprehensive chart that outlines all of the discharge, forgiveness, and cancellation types available under the FFELP and Perkins Loan Program.

To access this chart, visit <http://mapping-your-future.org/paying/loanForgiveness.htm>. Note: For simplicity, and because FFELP and Perkins loans have many provisions in common, MYF calls all of the items on this chart “cancellations” except for the two forgiveness types. But now you know the difference!

Common Manual

Common Manual updates

On October 16, 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.

Resolution of an overpayment

The *Common Manual* states that a borrower who has an overpayment of \$25 or more must resolve that overpayment to be considered eligible for additional Title IV funds. Previous policy in subsection 5.2.D indicated that the borrower could, among other options, make satisfactory arrangements with the school to repay an overpayment. This policy has been updated to acknowledge that the borrower has the additional option of making satisfactory repayment arrangements with the Department to resolve the overpayment.

Affected Sections:	5.2.D Prior Overpayment
Effective Date:	Return of Title IV funds regulations are effective for any student who withdrew on or after October 7, 2000, unless implemented earlier by the school on or after November 1, 1999.
Basis:	§668.22(h).
Policy Information:	705/Batch 107
Guarantor Comments:	None.

Total and permanent disability discharge application references

The *Common Manual* has been revised to delete references to a total and permanent disability discharge application that is no longer acceptable. The revised policy confirms that the lender must send borrowers requesting discharge due to a total and permanent disability the Loan Discharge Application: Total and

Permanent Disability or other form(s) approved by the Department, as specified in Dear Colleague Letter GEN-02-12.

Affected Sections:	12.1.D Claim File Documentation 12.8.E Total and Permanent Disability
Effective Date:	Total and permanent disability discharge applications provided to borrowers by the lender on or after March 31, 2003.
Basis:	DCL GEN-02-12.
Policy Information:	706/Batch 107

Guarantor Comments: None.

Borrower payments after total and permanent disability (TPD) claim

The *Common Manual* policy regarding a payment received after the date a TPD claim is paid has been revised. The new policy eliminates the requirement that, at the time the lender forwards the borrower payment to the guarantor, the lender notify the borrower or other party who sent the payment that there is no obligation to make further payments, unless directed otherwise.

Revising prior guidance from Dear Colleague Letter GEN-02-03, the *Responses to Total and Permanent Disability Outstanding Issues* letter received on March 3, 2003, from Jeff Baker, Program Development, U.S. Department of Education, clarifies in Q&A #2 that the lender is required only to forward to the guarantor a payment received from or on behalf of the borrower after it has filed a total and permanent disability claim and received the claim payment. The Department acknowledges in this letter that requiring both the lender and guarantor to provide a notice to the party who submitted the payment is duplicative.

Affected Sections: 12.8.E Total and Permanent Disability

Effective Date: Borrower payments received on or after April 1, 2003, after a total and permanent disability claim payment has been received by the lender, unless implemented earlier by the guarantor.

Basis: *Responses to Total and Permanent Disability Outstanding Issues* letter from Jeff Baker, Program Development, U.S. Department of Education, received March 3, 2003, Q&A #2.

Policy Information: 707/Batch 107

Guarantor Comments: None.

Waiver of uninterrupted service requirement for teacher loan forgiveness

The *Common Manual* has been revised to state that lender should not consider the time that a borrower is on active duty as a result of a military mobilization as an interruption in the 5 consecutive, complete academic years that a borrower must serve as a full-time teacher at a qualifying school to be eligible for teacher loan forgiveness. This applies to a borrower who is a member of a reserve component of the Armed Forces and is called or ordered to active duty for more than 30 days, and to a borrower who is a regular active duty member of the Armed Forces and is reassigned to a different duty station for more than 30 days.

Affected Sections: 12.9.B Teacher Loan Forgiveness Program

Effective Date: Teacher Loan Forgiveness Program applications submitted by the lender to the guarantor on or after May 14, 2003.

Basis: *Federal Register*, Vol. 68, No. 93, dated May 14, 2003, pages 25821-25822.

Policy Information: 708/Batch 107

Guarantor Comments: None.

Due diligence in default claim filing

The *Common Manual* has been revised to align text in subsections 11.4.A and 11.4.B with text in subsection 12.6.A. This change adds explicit language in chapter 11 to state that for loans with monthly repayment obligations, a lender must file default claims by the 360th day of delinquency. For loans with repayment obligations less frequent than monthly, a lender must file default claims by the 420th day of delinquency.

Affected Sections: 11.4.A Due Diligence Requirements for Loans with Monthly Repayment Obligations
11.4.B Due Diligence Requirements for Loans with Repayment Obligations Less Frequent Than Monthly

Effective Date: Loans for which the first day of delinquency on the oldest outstanding due date is on or after July 1, 2000, unless implemented earlier by the guarantor.

Basis: §682.411(e)(f)(h) and (I), as updated in the *Federal Register* dated October 29, 1999.

Policy Information: 710/Batch 107

Guarantor Comments: None.

Due diligence and ineligible borrower claims

The *Common Manual* has been revised to clarify that for ineligible borrower claims, due diligence is monitored from the date the lender receives notification that a borrower is ineligible. A cross-reference to subsection 11.4.F has been added for information on required due diligence activities as well as a cross-reference to subsection 13.4.A for information on timely filing violations.

Affected Sections: 13.3.B Non- Default Claims

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

Basis: §682.305; §682.406(a)(5); §682.412.

Policy Information: 711/Batch 107

Guarantor Comments: None.

Due diligence requirements for loans with repayment obligations less frequently than monthly

The *Common Manual* has been revised by deleting the note in subsection 11.4.B regarding the chapter's overarching reference to due diligence time frames for loans with monthly repayment obligations, except where noted. Similar language

has been moved to the introductory text in chapter 11. The relocated language also provides a cross-reference to section 1.6 for guarantor contact information.

Affected Sections:	11.4.B Due Diligence Requirements for Loans with Repayment Obligations Less Frequent Than Monthly
Effective Date:	Retroactive to the implementation of the <i>Common Manual</i> .
Basis:	None.
Policy Information:	712/Batch 107
Guarantor Comments:	None.

Legislative update

The October 28 issue of TG's *Legislative Report* includes updates on the major student financial aid-related and HEA reauthorization legislation pending before the First Session of the 108th Congress. Keep up with the latest developments by reading the full report on *TG Online* at www.tgslc.org/lege_report/index.cfm.

This, that, and the other

As the reauthorization of the HEA approaches, Congress is cranking out bills left and right (pun intended) to amend the law. As these bills are made public, you may find that there are several that you either avidly support or fervently oppose — and you may want your elected officials to know about it.

So, you may ask yourself ... who represents me?

The answer is just a few clicks away:

- To access your state's U.S. Senators, visit www.senate.gov. The home page includes a "Find Your Senators" search feature.
- To access your U.S. Representative, visit www.house.gov. Enter your ZIP code on the home page to "Find Your Representative."

And remember to keep up with all of the breaking news about reauthorization on TG's reauthorization page, located at www.tgslc.org/reauth/index.cfm.



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@tgsic.org.

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