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TG updates

TG, Council join forces with loan servicers to discuss best practices in repayment

TG and its partner, the Council for the Management of Educational Finance, hosted 43 professionals from the student loan servicing and higher education communities in Dallas on February 19 for the third *Industry Dialogue with Loan Servicers*. Entitled “Emerging Best Practices in Pre-repayment and Default Aversion,” this year’s event acknowledged students’ increasing reliance on loans to finance their higher education dreams, as well as other trends affecting student loan delinquency/default prevention efforts.

To provide a context for the day’s discussions, Dr. Jacqueline King, director of the Center for Policy Analysis, Division of Programs and Analysis for the American Council on Education (ACE), presented “How Students’ Financial Decisions Affect Their Academic Success.” In her address, Dr. King showed how students’ choices in financing their education affect the likelihood of completing their degree. Dr. King’s study is available from the ACE Bookstore at www.acenet.edu/bookstore.

Strategies for enhancing default prevention

As a result of their interaction, the *Industry Dialogue* participants generated more than two dozen strategies and best practices that enhance pre-repayment and default prevention efforts. The final list will be presented and discussed at the

Council's annual planning meeting later this year. The Council anticipates using the information to create new initiatives to help students successfully finance their postsecondary education.

"More than ever, we appreciate the dedication and commitment demonstrated by the Council and our business partners during this year's *Industry Dialogue*," said Sue McMillin, TG senior vice president for customer relations and business operations. "The best practices compiled during our discussions will certainly go a long way to help families and students effectively and successfully manage student loan repayment."

"Tremendous response and participation"

"I was immensely pleased with the tremendous response and participation we had from key individuals from higher education and student loan organizations," said Ed Apodaca, associate vice president at the University of Houston and co-chair of the Council. "Today's candid and forward-thinking dialogue produced two dozen viable strategies that financial aid professionals may implement in the coming months to help hundreds of thousands of students successfully repay their educational debt."

Participants from the lending/servicing community included representatives from:

- Affiliated Computer Services
- American Education Services/PHEAA
- Brazos Higher Education Service Corporation
- Chase/Education First
- Citibank
- COSTEP
- EdFinancial Services
- Education Loan Servicing Corporation
- First National Bank of Bryan
- LoanStar Systems Inc.
- Nelnet
- North Texas Higher Education Authority
- OSLA Student Loan Servicing
- Panhandle-Plains Student Loan Center
- Sallie Mae
- Southwest Student Services Corporation
- Student Loan Servicing Alliance
- Student Loan Xpress
- Wells Fargo EFS
- Texas Higher Education Coordinating Board

College and university representatives included:

- Court Reporting Institute of Dallas
- Lamar University
- Texas A&M University – College Station

- University of Houston
- University of Mary Hardin-Baylor
- University of Texas at Austin
- University of Texas at Brownsville
- University of Texas at El Paso

Ideas into action

Over the past two years, the *Industry Dialogue* has resulted in several initiatives for the Council, which have helped the financial aid community better understand the role of default aversion and the factors that influence successful student loan repayment. After the first dialogue, two publications were made available to the financial aid community: a white paper on loan servicing and a revised publication of "Servicers: Your Partners in Default Prevention."

Last year's dialogue, which focused on the effects of consolidation and alternative loans on servicing and default prevention, resulted in a coordinated campaign to provide consumer information to students and families. TG enhanced its "Consolidation Station" pages on *TG Online* and developed mailers to help borrowers make smart choices on student loan consolidation.

All of these resources are available on *TG Online* at www.tgslc.org or by calling (800) 252-9743, ext. 4990.

Federal updates

ED issues another reminder about timely LVC completion

Last week, ED issued Dear Colleague Letter (DCL) FP-04-02, reminding loan holders that they must complete and return a Loan Verification Certificate (LVC) in support of a borrower's application for a Consolidation loan from another lender in a timely manner. This DCL reiterates another letter, GEN-03-02, released in January 2003 (See *Shoptalk Online* Edition 189).

FP-04-02 reinforces the regulatory requirement that a loan holder do one of the following within 10 business days of receipt of an LVC:

- Return the completed LVC to the requesting lender.
- Send a written explanation as to why the loan holder cannot provide the requested information to the requesting lender.

The DCL provides several reasons why a loan holder may not be able to complete an LVC. These include:

- There is a judgment against the borrower on the loan that the borrower wants to consolidate.
- The loan that the borrower wants to consolidate has been sold.

- The loan that the borrower wants to consolidate is more than 270 days delinquent and a default claim has been submitted to a guarantor.
- The loan holder is experiencing technical difficulties providing the information to the requesting lender within the 10-day time frame.
- The loan holder believes that it is the single holder of the borrower's FFELP loans and that the borrower is not eligible for a Consolidation loan from the requesting lender. In this case, the loan holder must provide the requesting lender with written support that it is the single holder of the borrower's loans.

FP-04-02 goes on to state that ED encourages consolidating lenders to notify ED if they do not receive a response from a loan holder to an LVC within 10 business days. ED may take remedial action if it determines that a loan holder is consistently failing to comply with this requirement.

More information and questions

To access DCL FP-04-02, go to the Information for Financial Aid Professionals Web site at www.ifap.ed.gov/dpcletters/FP0402.html; DCL GEN-03-02 is available at www.ifap.ed.gov/dpcletters/GEN0302.html. For questions about the Federal Consolidation Loan Program, contact TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

New RT4 DCL provides practical guidance for quirky situations

The Title IV regulations provide guidance regarding the general administration of the federal student aid programs. Of course, as we know, there are always quirky situations that come up that either are not addressed in regulations, or actually seem to pit two regulations against one another! To address situations like this, ED recently released Dear Colleague Letter (DCL) GEN-04-03, the second in a series of RT4 guidance letters that began with GEN-00-24 in December 2000.

The following article provides a synopsis of the subjects addressed in GEN-04-03.

Title IV credit balance

In rare instances, a school may hold a credit balance for a student at the time the student withdraws. What does a school do in this case? Does the school release the credit balance? If not, how does the school treat the credit balance in the RT4 calculation?

GEN-04-03 states that if this situation arises, the school must not release the credit balance, but instead complete the RT4 calculation, including the existing credit balance in the calculation as "aid disbursed." After completing the calculation, the school must first use the credit balance to repay any Title IV grant overpayment that the student owes. The school must then apply any remaining credit balance in one of the following ways:

- The school may use the credit balance to pay authorized charges at the school (including previously paid charges that are now unpaid due to a return of Title IV funds by the school).
- The school may use the credit balance to reduce the student's Title IV loan debt (not limited to loan debt incurred for the period during which the student withdrew). This requires the student's authorization.
- The school may deliver the credit balance to the student, or to the parent in the case of a PLUS loan.

If the school cannot locate the student or parent to whom the credit balance is due, the school must return the credit balance to the Title IV programs — and schools are encouraged to apply the balance to the programs in a way that is most advantageous to the student.

Title IV aid that could have been disbursed

GEN-04-03 states that a school may include FFELP funds as "aid that could have been disbursed" in the RT4 calculation even if the school was prohibited from delivering the funds on or before the day that the student withdrew. As reported in *Shoptalk Online* Edition 235, this includes the initial disbursement of a Stafford loan for a first-year, first-time undergraduate Stafford loan borrower who withdraws within the first 30 days of his or her program of study, provided that all of the conditions for making a late disbursement are met. This change brings into alignment the treatment of disbursements that are subject to the 30-day delayed disbursement provisions with the treatment of second and subsequent disbursements, which schools have been able to include in the RT4 calculation as aid that could have been disbursed since ED issued guidance on this subject in DCL GEN-00-24.

Verification not completed before withdrawal

In another infrequent scenario, what should a school do if a student who is selected for federal verification withdraws before submitting required verification documents? The DCL indicates that the school must complete the RT4 calculation and return funds for which it is responsible to the Title IV programs or offer the student or parent a post-withdrawal disbursement, within 30 days of the date that the school determined the student withdrew.

If the student does not provide all of the required verification documents in time for the school to comply with the 30-day RT4 deadlines, the school must include in the calculation as aid disbursed or aid that could have been disbursed only those funds not subject to verification (PLUS loans and unsubsidized Stafford loans). Any funds that the school has already delivered to the student under the interim disbursement rules must be returned to the Title IV programs because the student has failed to establish eligibility for those funds affected by verification.

If the student does not provide all of the required verification documents in time for the school to comply with the 30-day RT4 deadlines but does provide the documentation before the verification deadline, the school must perform a new RT4 calculation and make any appropriate adjustments based on the outcome of verification.

Treatment of a student who fails to receive a passing grade in any class

ED has stated in previous RT4 guidance that schools must have a mechanism in place to determine whether a student who receives failing grades in all of his or her classes truly failed every class or is an unofficial withdrawal. DCL GEN-04-03 elaborates on that guidance and gives schools some alternatives for making this determination.

If a student who began attendance and has not officially withdrawn fails to earn a passing grade in any class during the period, unless the school can document that the student completed the period, the school must consider the student an unofficial withdrawal. The DCL states that as far as documenting that a student completed the period, the school may use, in some cases, its existing academic grading policy or confirmation from instructors to demonstrate that a student truly failed every class. The DCL also provides an example of an academic grading policy that provides a school with the flexibility to determine whether a student failed or did not complete his or her courses without the authorization of instructors. In the latter case, the student must be considered an unofficial withdrawal. See GEN-04-03 for further details on this example of an academic grading policy.

Percentage of Title IV aid earned for withdrawal from a credit-hour, non-term program

For a school that has credit-hour, non-term programs, it is often difficult for the school to determine, for the purpose of the RT4 calculation, the total number of calendar days in the payment period or period of enrollment. The DCL states that for a student who withdraws from a credit-hour, non-term program where the completion date of the period is dependent on an individual student's progress, the school must project the completion date based on the student's progress as of his or her withdrawal date to determine the total number of calendar days in the period.

Date of the institution's determination that the student withdrew, for institutions required to take attendance

For a school that is required to take attendance, ED is clarifying in GEN-04-03 that the school's date of determination that a student withdrew should be no later than a week after the student's withdrawal date — that is, the last date of academic attendance as determined by the school from its attendance records. The rationale behind this is that since the school is required to take attendance, it should take no more than a week for the school to determine that a student is no longer attending school.

Treatment of LEAP funds

GEN-04-03 reinforces the guidance provided in the *Federal Student Aid Handbook* on the treatment of LEAP funds in the RT4 calculation. The DCL states that if a student is a LEAP recipient, funds from the LEAP program (not to exceed \$5,000) are included in the student's RT4 calculation if, when the school determines that the student withdrew, the school has information in writing that has been provided by a state agency:

- Stating the dollar amount or percentage of a student's state grant that is part of the LEAP program (in this case, the school would only include the dollar or percentage of the LEAP funds in the calculation);
- Identifying a specific student's state grant as containing an indeterminate amount of LEAP funds (in this case, the school would include the entire amount of the grant in the calculation);
- Identifying the percentage of LEAP funds in the entire amount of state grant funds provided to the institution (in this case, the school would apply the percentage toward the student's grant to determine the amount for the calculation); or
- Stating that LEAP funds are included in all students' state grants (in this case, the school would include the entire amount of the grant in the calculation).

More information and questions

To access DCL GEN-04-03, go to the Information for Financial Aid Professionals web site at www.ifap.ed.gov/dpcletters/GEN0403.html. For questions about RT4, contact TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

Common Manual

Training brief explains how *Common Manual* policies originate

A new training brief from the *Common Manual* Policy Committee offers some insight on how policy ideas and changes are developed into the final policies that are incorporated into the *Common Manual*. The brief, available on *TG Online* at www.tgslc.org/resources/cm_training.cfm, is the ninth in a series of training resources created to help users get the most out of the manual.

TG hopes that you are finding the training briefs useful. If you have any comments or suggestions 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.

The current version of the *Integrated Common Manual* is available on *TG Online* at www.tgslc.org/resources/integrated_online_manual.cfm.

Legislative updates

The February 17 issue of TG's *Legislative Report* includes updates on FY 2005 federal appropriations, Higher Education Act reauthorization bills introduced to date, and other student aid–related legislation being considered in Congress. Updates on hearings of the Texas Joint Interim Committee on Higher Education and the Texas Sunset Advisory Commission's review of TG are also provided. 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

Anyone who missed the broadcast of TG's ninth annual FAFSA Videoconference earlier this month can get up to speed on this crucial step in the financial aid process by visiting *Adventures in Education*, TG's public service Web site, at www.aie.org.

Video clips from the broadcast are now available to guide families and students in completing the Free Application for Federal Student Aid (FAFSA). The video clips also offer answers to many common questions about financial aid and expert advice on making smart financial choices.

Clips are available in both high- and low-bandwidth versions at www.aie.org/Events/Videoconference2004/04onlineconference.html.



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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.

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