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Tip^{of}the Week

Contact graduating students during their grace period to inform them of repayment options. TG has form letters and templates that can help.

To learn more, contact TG at (800) 338-4752.

TG updates

TG offers free workshops on aligning debt management with enrollment strategies

TG and the Council for the Management of Educational Finance will conduct six workshops across the nation this spring to help campuses align student debt management practices within an institutional strategic enrollment plan. The workshops will be held in Coral Gables, Cleveland, Denver, Phoenix, New York, and Atlanta. Although registration is required, there is no fee to participate in the workshops.

“Increasing costs and reliance on student loans to finance higher education are compelling institutions to adopt new approaches to strategic enrollment management,” said Ed Apodaca, associate vice president for enrollment management at the University of Houston and co-chair of the Council for the Management of Educational Finance. “These workshops offer a combination of expertise and practical guidance that can truly make a difference for students and for the campus as a whole.”

The workshops will offer participants practical guidance and strategies, enabling them to:

- Execute comprehensive debt management tactics to support student retention.
- Engage cross-campus involvement to decrease student indebtedness, increase default aversion success, and enhance institutional effectiveness.
- Sustain internal and external partnerships to build support for systemic default aversion and debt management within a strategic enrollment plan.

“Through our experience and success in working with institutions to lower default rates, we’ve realized the benefit — and necessity — of cross-campus collaboration,” said Milt Wright, TG president and CEO. “These efforts not only affect cohort default rates, they affect retention, matriculation, and the general quality of the students’ experience on campus. In a time of increasing emphasis on institutional accountability, TG is excited to share these proven techniques and strategies to help campus professionals strengthen their enrollment management efforts.”

TG and the Council’s latest publication, *A Clear and Present Danger to Institutional and Student Success: A Training Model for Embedding Student Loan Default Aversion within Strategic Enrollment Management*, provides the framework for workshop participants and serves as the basis for discussions and exercises.

Workshop locations, dates, and registration information can be found on *TG Online* at www.tgslc.org/workshops/sem/sem.cfm.

TG helps schools maintain annual and aggregate loan limits

With the peak season for loan guarantees quickly approaching, TG’s loan guarantee operations (LGO) department is gearing up to provide its customers with the prompt, accurate loan guarantee service for which it is known. One of LGO’s responsibilities is the task of monitoring the Stafford loan borrower’s aggregate and annual loan limits.

In an effort to assist schools in ensuring that students are not overawarded, LGO, through both system edits and manual loan reviews, works with schools to double-check their annual and aggregate loan limit calculations.

Aggregate limits

TG has a system edit in place that will delay the guarantee of a loan if it appears that a new loan will cause the borrower to exceed his or her aggregate loan limit. It is important to note that this edit only considers the aggregate amount of the loans that have been guaranteed by TG, and excludes from consideration Direct loans and loans with non-TG guarantees. If this edit rejects a loan for guarantee because it appears to exceed a student’s aggregate limit, the following process occurs.

First, an LGO service representative checks for proper grade level limits and works with the school and/or lender to quickly correct any grade levels that may have been transmitted incorrectly. If it is determined that the loan was transmitted with

the incorrect grade level, the school can easily correct the grade level by submitting a CommonLine Correction Transaction or by accessing the rejected loan through the Real Time Access component of AdvanTG Web™. In addition, the school can provide the grade level information directly to an LGO representative by calling (800) 446-5616 or by e-mailing lgo.helps@tgsllc.org. Grade level information is also accepted by letter or fax for those who prefer paper.

If TG and the school determine that the grade level is correct, the service representative thoroughly reviews both the TG system and the National Student Loan Data System (NSLDS) to determine the borrower's remaining loan eligibility. LGO makes sure to review any loan or disbursement cancellations, refunds, loan reductions, future cancellations/reductions, and Consolidation loans in which underlying loans have not been reported as paid in full. This review is repeated by a different service representative to ensure that the loan file is scrutinized thoroughly. Only then is the final determination made as to whether the loan can be guaranteed for the full or a reduced amount, or whether the loan cannot be guaranteed.

Annual limits

To reduce errors associated with annual loan limits, TG's system contains an edit that delays the guarantee of a loan when it contains a loan period that overlaps or is the same as the loan period of the borrower's loan from another school. This provides LGO with the opportunity to consult with both the current and former school to ensure that any undelivered funds are returned and any inapplicable disbursements are cancelled. This helps to ensure that the borrower does not exceed his or her annual loan eligibility.

More information

For more information on TG's edits and other loan guarantee services, contact Bonnie Brinkley in LGO at (800) 252-9743, ext. 4543.

Federal updates

Dear Colleague Letter provides clarification on FFELP consolidation

ED recently issued Dear Colleague Letter (DCL) FP-04-05 to clarify earlier guidance concerning consolidation in the FFELP. The earlier guidance, which came in the form of a March 15, 2004, letter to the National Council of Higher Education Loan Programs (NCHELP), was ambiguous on the subject of consolidation of non-FFELP loans into a FFELP Consolidation loan.

DCL FP-04-05 states that when a borrower has both a FFELP loan(s) held by a single FFELP holder and one or more non-FFELP loans, and the borrower seeks a FFELP Consolidation loan, the borrower must obtain such a loan from his or her

current FFELP holder and must include at least one FFELP loan in the consolidation. If the borrower certifies that he or she has sought and has been unable to obtain a Consolidation loan from that FFELP holder or is unable to obtain a Consolidation loan from that holder with income-sensitive repayment terms, the borrower may obtain a FFELP Consolidation loan from another FFELP lender.

Although the letter does not specifically address this issue, a borrower with no FFELP loans may request a FFELP Consolidation loan consisting of one or more non-FFELP loans only (e.g., all Perkins loans or all Direct loans) from any FFELP lender that participates in the Federal Consolidation Loan Program.

Determination of a borrower's eligibility to consolidate federal education loans remains a lender's responsibility. TG relies on the lender's determination of eligibility when a FFELP Consolidation loan is presented for guarantee.

More information

To access DCL FP-04-05, go to the Information for Financial Aid Professionals Web site at www.ifap.ed.gov/dpcletters/fp0405.html. If you have questions about FFELP Consolidation loans or TG's consolidation policy, contact TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgsllc.org.

Common Manual

Common Manual updates

On April 15, 2004, 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.tgsllc.org/resources/integrated_online_manual.cfm.

Clarification of reissue requirements

The *Common Manual* currently details an exception to the 120-day loan disbursement reissue policy. The exception permits a lender to reissue a loan disbursement more than 120 days after the last date of the student's eligible enrollment or more than 120 days after the date on which the original late disbursement was made, so that the student will not be harmed by circumstances beyond his or her control. The location in the manual's text of this exception implies that it is only applicable to the reissue of a late disbursement, which is not the intent of the policy. To correct this, a new subheading has been added to separate the exception to the 120-day reissue limitation from the policy regarding late disbursement, thereby clarifying that the exception applies both to timely disbursements and to late disbursements. In addition, a new requirement has been added that stipulates that the lender must document the reason for the reissue of the loan disbursement in all reissue situations.

Affected Sections:	7.7.F Reissuing Disbursements
Effective Date:	Disbursements reissued by the lender on or after July 1, 2004.
Basis:	None. Coordinates with §668.164(g) and private letter to the Student Loan Marketing Association from the Department, dated July 15, 1994.
Policy Information:	770/Batch 113
Guarantor Comments:	None.

Origination of Stafford and PLUS loans

The *Common Manual* has been updated to remove references to the common PLUS application and promissory note. In addition, redundant text was removed from 2.2.A and the subheading titled "Origination of Stafford Loans" was deleted. The paragraphs under this subheading were updated and generic information was retained that is applicable to the origination of both Stafford and PLUS loans using a Master Promissory Note (MPN).

Affected Sections:	2.2.A Origination
Effective Date:	The PLUS Application and Master Promissory Note (PLUS MPN) must be used for loan periods beginning on or after July 1, 2004, or for any loan certified by the school on or after July 1, 2004, regardless of the loan period.
Basis:	DCL GEN-03-03.
Policy Information:	772/Batch 113
Guarantor Comments:	None.

PLUS Loan Application and Master Promissory Note (PLUS MPN)

The *Common Manual* has been updated to remove references to the common PLUS loan application and promissory note because parent borrowers must use the PLUS Application and Master Promissory Note to obtain PLUS loan funds for loan periods beginning on or after July 1, 2004, or for any loan certified by the school on or after July 1, 2004, regardless of the loan period.

Affected Sections:	2.3.C Common Forms 6.18 Facilitating Guarantee Processing 6.20 Adjusting the Guaranteed Loan Amount 7.2.A All Promissory Notes 7.2.B Additional Responsibilities under an MPN 7.2.C Transfer Students and Promissory Notes 8.3.B Authorization for Release of EFT/Master Check Disbursements Figure 8-1 9.9.D Payment of Accrued Interest on Loans Not Eligible for
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Federal Interest Benefits
10.5 In-School Deferment and Summer Bridge

Effective Date: PLUS loans for loan periods beginning on or after July 1, 2004, or for any loan certified by the school on or after July 1, 2004, regardless of the loan period.

Basis: DCL GEN-03-03.

Policy Information: 773/Batch 113

Guarantor Comments: None.

Applying for Federal Stafford and PLUS loans

The *Common Manual* has been updated to remove references to the common PLUS application and promissory note. Parent borrowers must use the PLUS Application and Master Promissory Note (PLUS MPN) to obtain PLUS loan funds 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. In addition, information in section 6.16 was reorganized. Subsections 6.16.A and 6.16.B were deleted and new subheadings were added to section 6.16 that provide information regarding "Federal Stafford Loans," "Federal PLUS Loans," and "Processes Applicable to Both the Stafford and PLUS MPN."

Affected Sections: 6.16 Applying for Federal Stafford and PLUS Loans
6.16.A Applying for a Federal Stafford Loan
6.16.B Applying for a Federal PLUS Loan

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

Basis: DCL GEN-03-03.

Policy Information: 774/Batch 113

Guarantor Comments: None.

Disbursing loan proceeds through an escrow agent

The *Common Manual* has been revised to reflect a regulatory technical correction published in the *Federal Register* on December 31, 2003, that aligns 34 CFR §682.207(b)(1)(iv) with 34 CFR §682.408(c). A lender that disburses loan proceeds through an escrow agent must require the agent to disburse loan proceeds no later than 21 days after the agent receives the proceeds from the lender.

Affected Sections: 7.7 Disbursing the Loan

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

Basis: §682.207(b)(1)(iv); §682.408(c).

Policy Information: 775/Batch 113

Guarantor Comments: None.

Maximum repayment period for rehabilitated Consolidation loans

The *Common Manual* has been updated based on the technical corrections published December 31, 2003, that require a lender to use the loan's balance at the time it is rehabilitated when establishing the maximum repayment period for a rehabilitated Consolidation loan. The loan balance is considered to be the amount paid to the guarantor to purchase the loan.

Affected Sections: 12.7 Rehabilitation of Defaulted Loans

Effective Date: Consolidation loans reentering repayment after rehabilitation on or after January 30, 2004.

Basis: §682.405(b)(3).

Policy Information: 776/Batch 113

Guarantor Comments: None.

Loan forgiveness and unpaid refund discharge

The *Common Manual* has been revised to add unpaid refund discharge and loan forgiveness to the list of circumstances under which a lender may be eligible for payment from the guarantor or reimbursement from the Department. In order to receive a payment, revised policy states that the lender must submit to the guarantor or the Department, as applicable, the borrower's loan forgiveness application or unpaid refund discharge application, if received. To provide consistency with regulatory language, the term "payment" has been used to refer to transactions between guarantors, and lenders or servicers, and the term "reimbursement" has been used to refer to transactions between the Department, and lenders or servicers.

Affected Sections: 2.2.C Repayment

Effective Date: Completed unpaid refund discharge requests received by the lender on or after July 1, 2000.

Completed teacher loan forgiveness requests received by the lender for new borrowers with Stafford loans first disbursed on or after October 1, 1998.

Completed child care provider loan forgiveness requests received by the lender for new borrowers with Stafford loans first disbursed on or after October 8, 1998.

Basis: HEA 428K; §682.215; §682.402(l) and (m).

Policy Information: 777/Batch 113

Guarantor Comments: None.

Valid source documents for reporting SSN changes

The *Common Manual* has been updated to state that if a lender becomes aware of a Social Security number (SSN) discrepancy that resulted from a data input error, the guarantor may consider a loan application, Master Promissory Note (MPN), or loan certification to be a valid source reference for initiating and reporting an SSN change.

Affected Sections: 3.5.F Social Security Number Change Reporting

Effective Date: None.

Basis: None.

Policy Information: 778/Batch 113

Guarantor Comments: None.

Reinstatement of Title IV eligibility after default

The *Common Manual* has been revised to remove redundant language pertaining to documentation needed for the reinstatement of Title IV eligibility after default.

Affected Sections: 5.2.E Prior Default

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

Basis: HEA 428F(b); §668.35; §682.200; §682.401(b)(4); April 1996 Supplement to DCL 96-G-287/96-L-186, Q&A #6.

Policy Information: 779/Batch 113

Guarantor Comments: None.

Federal interest benefits

The *Common Manual* has been revised to clarify when a lender can begin billing the Department for interest benefits for borrowers who qualify for a deferment. For any deferment other than an initial period of unemployment deferment based on the borrower's self-certification of eligibility, the lender may begin billing the Department on the date the borrower's eligibility for the deferment began. For an initial period of unemployment deferment based on the borrower's self-certification of eligibility, the lender may begin billing for interest benefits on the later of the first date the borrower qualifies for the deferment (as determined by the lender), the begin date requested by the borrower, or 6 months before the date on which the lender receives any required borrower request and documentation of eligibility for the deferment.

Affected Sections: A.1.B When Federal Interest Benefits Will Be Paid

Effective Date: Deferments granted by the lender on or after July 1, 2001.

Basis: §682.210(a)(5); §682.210(h)(1) and (2); §682.300(b)(1)(ii).
Policy Information: 780/Batch 113
Guarantor Comments: None.

Rehabilitation training program deferment

The *Common Manual* has been revised to move information regarding the eligibility criteria for PLUS loan borrowers with dependent students for a rehabilitation training program deferment from subsection 10.5.A to section 10.12. This change congregates similar information for rehabilitation training program deferments within one section of the manual.

Affected Sections: 10.5.A Eligibility Criteria—In-School
10.12 Rehabilitation Training Program Deferment
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: None.
Policy Information: 781/Batch 113
Guarantor Comments: None.

Cures and reinstatement of the guarantee

The *Common Manual* has been revised to more readily identify specific cure types and activities by regrouping existing language under three new subheadings within section 13.5. The new subheadings are “Receipt of a Curing Payment,” “Receipt of a New Signed Repayment Agreement,” and “Reinstating the Guarantee.” Additional organizational changes have also been made to language in subsection 13.5.B to coordinate it with similar language in 13.5.D.

Affected Sections: 13.5 Cures and Reinstatement of the Guarantee
13.5.B Cures for Due Diligence Violations and Gaps
13.5.D Cures for Timely Filing Violations
Effective Date: Retroactive to the implementation of the *Common Manual*.
Basis: None.
Policy Information: 782/Batch 113
Guarantor Comments: None.

First and next payment due dates for a Consolidation loan

The *Common Manual's* existing subsections 14.5.A through 14.5.F have been redesignated as subsections 14.5.B through 14.5.G. Current Consolidation loan policy that requires a lender to establish a first payment due date that is no more than 60 days after the date of the last disbursement discharging underlying loans has been relocated from section 14.5 to new subsection 14.5.A. Additionally, new subsection 14.5.A states that a lender must establish a first payment due date that

is no more than 60 days after the last day of a deferment or forbearance period, unless the borrower makes prepayments during that period that cause the due date to be advanced. Redesignated subsection 14.5.B states that when a lender is required to re-disclose repayment terms because of the addition of a loan(s) during the 180-day add-on period, the lender may establish a new effective date for a revised payment amount that is no more than 60 days after the date of the last disbursement that discharged the add-on loan(s).

Affected Sections: 9.5 Establishing the First Payment Due Date
14.5 Repayment
14.5.A Disclosing Repayment Terms
14.5.B Maximum Repayment Period
14.5.C Deferments
14.5.D Forbearance
14.5.E Delinquency, Default, and Claim Filing
14.5.F Paid-in-Full Loans

Effective Date: Consolidation loan repayment disclosures issued by a lender on or after July 1, 2004.

Basis: §682.102(e)(5); §682.209(a)(1); §682.209(h)(1).

Policy Information: 783/Batch 114

Guarantor Comments: None.

Date of determination of a student's withdrawal at schools required to record attendance

The *Common Manual* has been updated to include more complete information about schools that are required to record attendance for a limited period of time or for a specific group of students. In addition, the manual has been updated to state that except in unusual cases, if a student is absent without explanation, a school that is required to record attendance is expected to make a determination that the student withdrew no later than one week after the student's last date of academic attendance as determined from the school's attendance records. The school does not have to make a withdrawal determination if during that one week period, the student verifies that he or she plans to return to school.

Affected Sections: 4.6 Withdrawal Dates

Effective Date: Provisions regarding schools that are required to record attendance for a limited period of time or for a specific group of students are effective for any student who withdraws on or after July 1, 2003.

Provisions for determining a student's withdrawal date are effective for any student who withdraws on or after February 13, 2004.

Basis: DCL GEN-04-03; 2003-04 *Federal Student Aid Handbook*, Volume 2, Chapter 6, pages 2-119 and 2-120.

Policy Information: 785/Batch 114

Guarantor Comments: None.

Treatment of Title IV credit balances under return of Title IV funds requirements

The *Common Manual* has been updated to incorporate guidance for schools regarding the treatment of Title IV credit balances under the return of Title IV funds requirements. If a student withdraws and has a Title IV credit balance on his or her account, the school must not deliver any portion of the credit balance to the student or return any portion to the Title IV student aid programs before it completes a return of Title IV funds calculation. The school must hold the funds even if it results in the school not being in compliance with the 14-day payment requirement for credit balances. In this case, the school does not need the student's or parent's authorization to hold the Title IV credit balance beyond the original 14-day period. However, within 14 days of the date that the school performs the return of Title IV funds calculation, the school must pay any remaining Title IV credit balance. The school must first allocate the Title IV credit balance to repay any grant overpayment owed by the student as a result of the current withdrawal. If there is no grant overpayment owed or if an additional credit balance exists on the account after the grant overpayment is repaid, it must be paid in one or more of the following ways:

- In accordance with cash management regulations, 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).
- With the student's authorization, the school may use the credit balance to reduce the student's Title IV loan debt (not limited to loan debt incurred for the payment period or period of enrollment during which the student withdrew).
- The school may deliver the credit balance to the student, or the parent in the case of a PLUS loan.

If the school cannot locate the student or parent to whom a Title IV credit balance is due, the school must return the credit balance to the Title IV programs. In this case, there is no specific order of return to the Title IV programs, but schools are encouraged to make determinations that are in the best interest of the individual student.

Affected Sections: 4.6 Withdrawal Dates
8.8 Managing Credit Balances

Effective Date: Students who withdraw on or after February 13, 2004, as determined by the school.

Basis: DCL GEN-04-03.

Policy Information: 786/Batch 114

Guarantor Comments: None.

Verification not completed before the student's withdrawal

The *Common Manual* has been updated to include guidance regarding return of Title IV funds requirements for students subject to verification. If a student is selected for verification but withdraws prior to providing all required verification documentation, the school must complete the return of Title IV funds calculation in time to comply with the 30-day return of Title IV funds deadlines. If the student did not provide the required verification documentation, the school must include as disbursed aid or aid that could have been disbursed only those funds not subject to verification (i.e., PLUS loans and unsubsidized Stafford loans) in the return of Title IV funds calculation. However, if the student subsequently provides the documentation before the verification deadline, the school is required to perform a new return of Title IV funds calculation and make the appropriate adjustments.

If the school is unable to offer the post-withdrawal disbursement to the student, or parent in the case of a PLUS loan, within the required 30 days after the date that the school determined that the student withdrew, the school must offer the funds as soon as possible. Also, whenever possible, the school must provide the student or parent with the minimum 14-day period to respond to the offer of a post-withdrawal disbursement.

Affected Sections: 4.7 Return of Title IV Funds
6.6.A Performing Verification Requirements

Effective Date: Students who withdraw on or after February 13, 2004, as determined by the school.

Basis: DCL GEN-04-03.

Policy Information: 787/Batch 114

Guarantor Comments: None.

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

The *Common Manual* has been updated to include guidance for schools that offer non-term-based credit-hour programs to determine the number of calendar days in the payment period or period of enrollment. If a student withdraws from a non-term-based credit-hour program where the completion date is dependent upon an individual student's progress, the school must project the completion date based on the student's progress as of the date of his or her withdrawal to determine the total number of calendar days in the period. If the student does not earn credits or complete lessons as he or she progresses through the program, the school is required to have a reasonable procedure for projecting the completion date based on the student's progress before withdrawal.

If the completion date for all students in a non-term-based credit-hour program is the same, the total number of calendar days in the period will be the same for all students.

Affected Sections:	4.7.A Return Amounts for Title IV Loan and Grant Programs
Effective Date:	Students who withdraw on or after February 13, 2004, as determined by the school.
Basis:	DCL GEN-04-03.
Policy Information:	788/Batch 114
Guarantor Comments:	None.

Disbursements for students enrolled in foreign schools

The *Common Manual* has been updated to state that prior to disbursing Stafford funds directly to a student attending a foreign school, the lender must receive confirmation from the guarantor that the school the student plans to attend is eligible to participate in the FFELP and that the student has been accepted for enrollment at the school. In addition, the lender must notify the foreign school when it actually disburses the FFELP funds directly to the student.

Affected Sections:	7.7.E Disbursement for Students in Study-Abroad Programs or Foreign Schools
Effective Date:	Loans guaranteed on or after November 26, 2003.
Basis:	DCL G-03-348/L-03-242.
Policy Information:	789/Batch 114
Guarantor Comments:	None.

Payment rules for modular programs and mini-sessions

The *Common Manual* has been revised to include payment rules for students enrolled in modular programs and mini-sessions. A student who is enrolled in a modular program is not eligible to receive Stafford loan funds until the first module that he or she will actually attend. For example, the earliest that a school may deliver loan funds to a student who begins enrollment in the second of three five-week modules that comprise a payment period is 10 days prior to the first day of the second module (or 30 days after the date the second module begins if the borrower is subject to delayed delivery). A borrower subject to delayed delivery who is enrolled in a summer or winter mini-session that is less than 30 days in length is not eligible to receive Stafford loan funds until the student completes the first 30 days of his or her program of study. This may result in the school delivering the funds during a subsequent mini-session or during the next full term.

Affected Sections:	8.7.F Delivery to Borrowers in Special Circumstances
Effective Date:	Loan funds delivered by the school on or after July 1, 2003.

Basis: 2003-04 *Federal Student Aid Handbook*, Volume 8, Chapter 6, page 8-62.

Policy Information: 790/Batch 114

Guarantor Comments: None.

LaRS report

The *Common Manual* has been revised to provide more detailed information on the Lender's Interest Billing and Special Allowance Request and Report (LaRS report), including electronic submission of the LaRS report via the Lender Reporting System. Also, information related to the outdated ED Form 799 has been deleted.

Affected Sections: A.3.A ED Form 799 Submission
A.3.B General Instructions for Completing ED Form 799
A.3.C Summary of ED Form 799
A.3.D ED Form 799 Codes

Effective Date: Quarterly billings submitted by a lender on or after October 1, 2002.

Basis: *LaRS External Users Guide*, Lender's Interest and Special Allowance Request and Report (LaRS) and Instructions.

Policy Information: 791/Batch 114

Guarantor Comments: None.

Blanket guarantees

The *Common Manual* has been updated to state that loan funds are not insured if any amount that is disbursed under an individual agreement with a guarantor (i.e., a blanket guarantee) exceeds the amount for which the borrower is eligible. The loss of insurance applies only if the lender knew or had reason to know that the borrower did not qualify for the loan or some part of the loan prior to the disbursement of loan funds.

Affected Sections: 7.7 Disbursing the Loan

Effective Date: Loans originated under a blanket certificate of loan guarantee on or after October 1, 1998.

Basis: HEA 428(n).

Policy Information: 792/Batch 114

Guarantor Comments: None.

Return of unearned loan funds

The *Common Manual* has been revised to reorganize existing language and remove redundant information pertaining to the return of unearned FFELP funds by a school for a student who does not return from an approved leave of absence. If a student

does not return from an approved leave of absence, the school must perform a return of Title IV funds calculation and return unearned loan funds to the lender within 30 days of the date the leave of absence ended or within 30 days of the date the student notified the school that he or she would not be returning, whichever is earlier.

- Affected Sections:** 8.9.C Return of Unearned Loan Funds
- Effective Date:** Official or 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:** None.
- Policy Information:** 793/Batch 114
- Guarantor Comments:** None.

Deferment Eligibility Chart

The Deferment Eligibility Chart (Figure 10-1) has been revised by changing the category heading "Borrower Consolidates Before 7/1/93" to "Pre 7/1/93 Borrower." This change clarifies that borrowers who consolidate on or after July 1, 1993, but have an outstanding balance on non-consolidated FFELP loans that were made before July 1, 1993, are eligible for the deferments available to pre-July 1, 1993, borrowers. In addition, footnote #7 on the chart has been revised and relocated to clarify that a borrower who obtains a Federal Consolidation loan that repaid a loan(s) made before July 1, 1987, or who has an outstanding balance on a loan obtained prior to July 1, 1987, when the Federal Consolidation loan was obtained, is eligible for an in-school deferment only if the borrower is attending school full time.

- Affected Sections:** Figure 10-1 Deferment Eligibility Chart
- Effective Date:** Retroactive to the implementation of the *Common Manual*.
- Basis:** §682.210.
- Policy Information:** 794/Batch 114
- Guarantor Comments:** None.

Due diligence for loans with a rolling delinquency or special occurrence

Current policy may inadvertently imply that, in the case of a rolling delinquency or a special occurrence, a lender need only mail the final demand letter if the account is more than 120 days delinquent for loans with monthly repayment obligations (180 days delinquent for loans with repayment obligations less frequent than monthly).

The manual has been revised to clarify that, while no further diligent efforts to contact the borrower by telephone are required, a lender must mail the final demand letter and ensure that no gap of greater than 45 days in collection activity

occurs. Also, a regulatory citation for language regarding “gaps” has been added to the text of the manual in subsections 11.4.A and 11.4.B.

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 on which the first day of delinquency on the oldest outstanding due date is on or after July 1, 1996, unless implemented earlier by the guarantor.

Basis: §682.411(b)(2); §682.411(d)(4).

Policy Information: 795/Batch 114

Guarantor Comments: None.

Due diligence figures added to the *Common Manual*

Three new figures have been added to chapter 11 of the *Common Manual* to provide quick references to the required due diligence time frames and activities. While these activities continue to be described in the manual’s text, primarily in subsections 11.4.A and 11.4.B, the new figures provide an enhanced tool for easy reference.

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: None.

Basis: §682.411.

Policy Information: 796/Batch 114

Guarantor Comments: None.

This, that, and the other

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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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