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Federal updates

ED expects FAAs to be tax “prepared”

In the 2004-2005 *Federal Student Aid Handbook* (FSA Handbook), ED has published guidance for schools regarding the level of knowledge ED expects financial aid administrators (FAAs) to have regarding a FAFSA applicant’s tax-filing status.

In the Application and Verification Guide of the 2004-2005 FSA Handbook, page AVG-104, under the topic of “Conflicting Information,” ED states:

“We have already stated that financial aid administrators do not need to be tax experts when dealing with tax information from the student. Yet there are some tax issues even a layperson with some information about basic tax law can evaluate. Because conflicting data often involve such information, FAAs must have a fundamental understanding of relevant tax issues that can considerably affect need analysis.”

The text goes on to state that FAAs are obligated to know:

- Whether a person was required to file a tax return.
- What the correct filing status for a person should be.
- That an individual cannot be claimed as an exemption by more than one person.

NASFAA writes to ED

After the Application and Verification Guide of the 2004-2005 FSA Handbook was released a few months ago, Dallas Martin, president of the National Association of Student Financial Aid Administrators (NASFAA), wrote a letter to ED expressing concerns about this guidance. NASFAA stated that it felt that the FSA Handbook “imposes a new prescriptive set of responsibilities on financial aid administrators.” The letter went on to say that NASFAA believes that “such changes should be executed through the formal rulemaking process, including negotiation with the higher education community.” To access the NASFAA letter online, go to www.nasfaa.org/publications/2004/REDTaxLetter042204.htm.

ED responds

In a recent letter back to NASFAA, Sally Stroup, assistant secretary for postsecondary education, stated that the guidance in the FSA Handbook was provided based on the feedback of FAAs who indicated that prior guidance “was not explicit enough” to handle challenges from FAFSA applicants regarding the resolution of conflicting information. The letter also states that the tax issues outlined in the FSA Handbook for which FAAs must have this fundamental tax knowledge constitute “surface level conflicts” and “...the institution must resolve the discrepancies before disbursing Title IV funds.” The letter indicates that this is not new guidance, only a compilation of previous guidance provided during various ED presentations at national conferences. To access the ED letter, go to www.nasfaa.org/publications/2004/REDTaxExpertReply071404.doc.

TG resource for FAAs

In light of this newly written guidance, TG has developed a reference to help FAAs deal with discrepant tax data. It provides:

- Information about who must file a tax return
- 2003 filing requirements for most taxpayers
- 2003 filing requirements for dependents
- Tax exemptions

This reference, the IRS Resource Guide for the FAA, is available on *TG Online* at www.tgslc.org/resources/irs_resources.cfm.

More information

The available volumes of the 2004-2005 FSA Handbook (ED has not released all of the volumes as of this date) are available on *TG Online* at www.tgslc.org/resources/fsa_handbook.cfm.

The elusive RT4: untimely return of funds

Return of Title IV funds (RT4) is one of the areas of Title IV administration that is most frequently cited in a school program review. One common finding related to RT4 concerns the untimely return of funds — that is, a return of funds that is later than 30 days after the date the school determined that the student withdrew.

RT4 timeframes

According to RT4 regulations, the date that the school determined the student withdrew (also known as the date of determination) is a trigger for several timeframes within which the school must perform certain activities. These timeframes and activities include the following:

- A school must perform the RT4 calculation within 30 days of the date of determination.
- A school must offer any amount of a post-withdrawal disbursement that is not credited to the student's account within 30 days of the date of determination.
- If the student or parent submits a timely response that instructs the school to make all or a portion of the post-withdrawal disbursement, the school must disburse the funds within 120 days of the date of determination.
- Within 30 days of the date of determination, a school must notify a student if a grant overpayment is due.
- A school that is collecting an overpayment must require repayment of the full amount of the overpayment within two years of the date of determination.
- *A school must return the amount of Title IV funds for which it is responsible no later than 30 days after the date of determination.*

This last item is the timeframe that many schools find difficult to meet. Why? A school may find it is able to perform the RT4 calculation within 30 days of the date of determination, but may find it difficult to both perform the calculation and return funds (if applicable) within 30 days. The key to meeting these timeframes is to perform the calculation *as soon as possible* after the school determines that a student withdrew.

Other tips to help you meet these timeframes

A recent *NASFAA Student Aid Transcript* (Volume 15, No. 2, 2004, "Recurrent Program Review and Audit Findings and How to Avoid Them!") also provides the following ideas on how to avoid return of funds problems:

- "Implement coordinated strategies to facilitate communication, accountability, and follow-up among all pertinent institutional offices, including the financial aid, registrar, and business offices.

- “Institute backup measures to ensure that every return of funds staff function will be timely performed even when personnel are on vacation or otherwise absent.
- “Institute and enforce follow-up procedures that require staff to timely report on their performance of time-sensitive functions (in particular the calculation and processing of the return of funds) to their supervisors, and other pertinent offices.
- “In turn, require those supervisors and peer offices to monitor systematically the accuracy and timeliness of those functions.”

More information

For more information on RT4, consult the Return of Title IV Funds chapter of the *Federal Student Aid (FSA) Handbook*. The FSA Handbook is available on *TG Online* at www.tgslc.org/resources/fsa_handbook.cfm.

ED issues ombudsman reminder

The ED Student Loan Ombudsman’s Office has recently issued Dear Colleague Letter (DCL) GEN-04-07 to ensure that schools and lenders have the most recent contact information for the office. The contact information follows:

U.S. Department of Education
 FSA Ombudsman
 830 First Street, N.E.
 Washington, D.C. 20202-5144
 (877) 557-2575
www.ombudsman.ed.gov
fsaombudsmanoffice@ed.gov

Why do schools and lenders need this information?

A school must ensure that it provides information to its student loan borrowers during exit counseling on the availability of the ED Ombudsman’s Office (*Common Manual* subsection 4.9.C). A lender must inform a delinquent borrower of the availability of the ED Ombudsman’s Office as one of its due diligence activities (*Common Manual* subsections 11.4.A and 11.4.B).

What does an ombudsman do?

An ombudsman provides borrowers with information and guidance to resolve their concerns about their student loans. He or she provides borrowers with an advocate on whom borrowers can rely to research their problems and determine if they have been treated fairly.

Does TG have an ombudsman?

Yes, TG has established its own student loan ombudsman's office to help TG borrowers who need help resolving their student loan issues. TG's ombudsman, Luanne Dodge, provides borrowers with an impartial and often creative solution to their problems, most of the time relieving borrowers from the need to take their issues to the ED Ombudsman. To learn more about the TG Ombudsman, go to *TG Online* at www.tgslc.org/students/omb1.cfm.

More information

DCL GEN-04-07 is available on the Information for Financial Aid Professionals (IFAP) Web site at www.ifap.ed.gov/dpccletters/GEN0407.html.

Trends and issues

***Mapping Your Future* announces chat schedule for 2004-2005**

Mapping Your Future (MYF) chat events offer families and students online access to experienced counselors who can help them plan for college admissions, seek financial aid, or manage student loan repayment. MYF recently announced a new series of 10 chats that will run from October 2004 through September 2005.

In the meantime, the current 2003-2004 series will conclude with the following two daytime chats:

- Student loan default prevention
August 10, 2004, 2 p.m. CDT
- FAFSA and financial aid
September 7, 2004, 2 p.m. CDT

2004-2005 series

The newly scheduled 2004-2005 series of MYF chat events will address a number of college, financial aid, and career topics. Following are details on the lineup:

- Finding the school of your dreams and gaining admission
October 12, 2004, 6 p.m. CDT
- Loan forgiveness, cancellation, and discharge
November 9, 2004, 6 p.m. CST
- Loan consolidation
December 14, 2004, 6 p.m. CST
- FAFSA, financial aid, and careers
January 11, 2005, 6 p.m. CST

- FAFSA, financial aid, and careers
February 8, 2005, 2 p.m. CST
- Online and distance education
March 8, 2005, 2 p.m. CST
- Deferments, forbearances, and default prevention
April 12, 2005, 6 p.m. CDT
- Loan consolidation, forgiveness, cancellation, and discharge
May 10, 2005, 6 p.m. CDT
- College admissions and standardized tests
August 9, 2005, 2 p.m. CDT
- Debt management strategies
September 13, 2005, 6 p.m. CDT

Easy access

Joining the MYF chat events in the new 2004-2005 will remain as easy as ever — Internet access is all that's needed. Interested families and students simply visit mapping-your-future.org just before the chat and follow the chat link on the site.

MYF is a public-service Web site sponsored by TG and others in the financial aid industry to provide free college, career, financial aid, and financial literacy services for families, students, and schools.

This, that, and the other

Enrollment in public elementary and secondary schools has risen continually over the past decade. In 2002, public school enrollment in kindergarten through eighth grade grew 13 percent to 33.8 million students, and enrollment in public high schools rose 23 percent to 13.9 million. In fact, enrollment in public schools is projected to set new records every year until 2005.

At the same time, the proportion of students in private elementary and secondary schools has changed little over the past 10 years, remaining at about 11 percent. In 2002, about 6 million students were enrolled in private schools at the elementary and secondary levels.

Source: U.S. Department of Education, National Center for Education Statistics (2003). *Digest of Education Statistics, 2002* (NCES 2003-060), Chapter 1.



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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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