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## TG updates

### UT – Permian Basin: A new way of doing things

Sometimes it pays to step back and reexamine an everyday process. For example, finding a new path on your morning commute to work can make a huge difference in your day, not to mention reduce the wear and tear on your vehicle.

Whether you are contemplating alternatives for your daily drive to work or changing a process for an entire organization, re-thinking the way things are done from time to time is a necessity. In the financial aid industry, much of the financial aid process has been historically manual. However, as schools, lenders, and servicers adopt electronic systems for processing, new standards for service to borrowers have evolved, creating opportunities in efficiency.

### Efficiency is a key to excellent customer service

Robert Vasquez, Director of Financial Aid for the University of Texas-Permian Basin (UTPB), recently shared one way to improve the process of entering demographic information into AdvanTG Web™, TG's flexible student loan processing solution that offers an all-inclusive suite of web-based tools.

"As a small office trying to stay abreast with the electronic age, we are always looking for ways to enhance our processing," said Vasquez. "We measure our effectiveness according to how timely we are in providing students their funding. The more effectively we do this, the faster students can begin concentrating on their studies rather than worrying about their finances."

## Tip<sup>of</sup> the Week

Not receiving your weekly edition of *Shoptalk Online* on a regular basis? Your spam filter may be removing it from your In-Box.

To get your spam filter to recognize your subscription, please add our "From" address (webmaster@tgsic.org) to your address book.

## **A small change can make a big difference**

Because of limitations with their current Financial Aid Management System (FAMS), UTPB was unable to export a CommonLine application record that could be imported into AdvanTG Web. A significant amount of manual input was required to certify loans. The school's loan coordinator was required to enter manually all required demographic information as well as certification data.

After reviewing the school's process, TG's customer service consultants suggested that UTPB could gain some efficiency by importing their Institutional Student Information Record (ISIR) files to load demographic information for their Stafford loan borrowers.

"With the ISIR import to AdvanTG Web feature, we were able to populate the demographic information. As a result, we only had to manually enter certification data," said Vasquez. "This small change to our process has cut certification processing by approximately fifty percent. As a result, we are now providing students their funds in a more timely manner. We appreciate TG for the commitment they took in helping us with this transition."

## **TG can identify your opportunities**

TG fosters a culture of continuous process improvement. For example, AdvanTG™ evolved from a desktop application to a Web-based application to enhance efficiencies, assure greater data accuracy, and provide added conveniences for our customers. AdvanTG Web™ offers many features to improve financial aid office processes in delivering student services.

Change is inevitable, and in an industry that is embracing technologies as a solution to many of its challenges, it is important to evaluate existing processes more frequently. So, whether you are seeking ways to manage new regulations, or you need to re-engineer an existing process, let TG be your partner in building a better solution.

How can TG help you? Just ask your TG school consultant or national account representative for additional information. To find the TG representative for your region, visit *TG Online* for [Texas customers](#) or for [national customers](#), or call (800) 252-9743.

## **Trends and issues**

### **Loan delivery questions and answers**

As we approach peak loan processing season, many schools are preparing to deliver financial aid funds to their student and parent borrowers. At this time of year, it is common for TG to receive questions from schools on the subject of loan delivery. In the spirit of awareness and edification, TG has compiled a series of loan delivery

queries that financial aid administrators (FAAs) tend to focus on during peak loan processing season.

**Q: What are the definitions of “disbursement” and “delivery” as the terms relate to Stafford and PLUS loans?**

A: While ED uses the term “disbursement” to apply to the issuance of all types of financial aid from the school to the student, the FFELP industry maintains a distinction between the transfer of funds by a lender and the transfer of funds by a school. Therefore, the *Common Manual* uses “disbursement” for lender activities and “delivery” for school activities. Both terms are defined as follows:

- Disbursement: The transfer of loan proceeds by individual check, master check, or electronic funds transfer (EFT) by a lender to a borrower, a school, or an escrow agent. (*Common Manual*, glossary)
- Delivery: A school's processing of Stafford and PLUS loan proceeds and delivery of those proceeds to borrowers. (*Common Manual*, chapter 8)

**Q: When the school credits loan funds to a student’s school account, the school must notify the borrower. What information must the school provide in its notification?**

A: The school’s notification must include the following information:

- The amount of the disbursement and the date that it was credited to the student’s school account.
- A statement explaining that the borrower has the right to cancel all or portion of the loan or loan disbursement and have the school return funds to the lender, if funds were disbursed by EFT or master check.
- The method and date by which the borrower must notify the school to cancel all or a portion of the loan or loan disbursement.

**Q: Within what timeframe must a school send the borrower notification of a credit to the student’s school account?**

A: The school must send the notification no earlier than 30 days before and no later than 30 days after the school credits the student’s account.

**Q: Within what timeframe must a school honor a borrower’s request to cancel a loan disbursement?**

A: A school must cancel and return all or a portion of a loan disbursement if the school receives the borrower’s request within either of the following timeframes:

- Within 14 days after the date the school sent the notification to the borrower that the school has credited the student’s school account.
- By the first day of the payment period, if the school sends the notification that it has credited the student’s school account more than 14 days prior to the first day of the payment period.

**Q: Which cash management activities require a school to obtain written authorization from the student or parent borrower?**

A: A school must obtain written authorization from the borrower to perform the following activities:

- Deliver Stafford or PLUS loan proceeds received by EFT or master check to the student or parent borrower.
- Use the Stafford or PLUS loan proceeds to pay for current charges other than tuition, fees, and contracted room and board.
- Deliver Stafford or PLUS proceeds to the borrower's personal bank account.
- Hold a credit balance on behalf of a student or parent borrower.
- Use Stafford or PLUS loan proceeds (for the current year) to pay for minor prior-year charges.

**Q: When does a written authorization expire?**

A: The authorization is valid for the entire period during which the student is enrolled unless the student or parent borrower, as applicable, modifies the authorization(s).

**Q: What is the earliest date that a school can deliver funds to students?**

A: For a student enrolled in a standard term-based, credit-hour program, the earliest a school can deliver funds is 10 calendar days before the first day of the payment period. For a student enrolled in a nonstandard term-based program or a clock-hour program, the earliest a school can deliver funds is the later of:

- 10 days before the first day of the payment period.
- The date the student completes the previous payment period for which the student received FFELP funds.

**Q: What are the timeframes that a school must follow for crediting a student's school account with a loan disbursement received from the lender via EFT?**

A: The delivery timeframes cover three separate periods as outlined below:

- Initial period—the school must deliver the loan disbursement within 3 business days of receipt.
- Conditional period—the school may deliver the disbursement within this 10-business-day period after the initial period if the school expects the student to meet all FFELP eligibility requirements within this timeframe.
- Return period—the school must return an undeliverable disbursement to the lender within a 10-business-day period following the initial or conditional period, as applicable. If the school determines that the student meets FFELP

eligibility requirements during this period, the school may deliver the disbursement to the borrower.

**Q: What is the timeframe for delivering a credit balance (i.e., any amount of funds that exceeds a student's institutional charges) to a student or parent borrower?**

A: The school must deliver a credit balance to the student or parent borrower no later than 14 days after one of the following:

- The first day of the payment period if the credit balance occurs on or before the first day of the payment period.
- The date the credit balance occurs if the credit balance occurs after the first day of the payment period.
- The date the school receives notification from the student or parent borrower to cancel his or her authorization to have the school manage the credit balance.

**Q: If a scholarship or some other financial resource comes in to the school after a borrower's loan has been fully delivered, does the school have to return some of a borrower's Stafford or PLUS loan proceeds in order to resolve an overaward?**

A: If all disbursements of the Stafford or PLUS loan have been delivered to the student before the overaward occurs, no adjustment to the loan is required under federal regulations. However, the school may be required to adjust the student's campus-based or other type of aid, as appropriate, to offset the student's receipt of additional funds.

**Q: Are there any tables or charts that FAAs can use as a point of reference on the subject of loan delivery?**

A: Many FAAs utilize the *Table of Figures* page located in the *Common Manual* as a point of reference on a variety of subjects. The table features several figures that pertain to loan delivery, including figures 8-1 through 8-6. These figures illustrate a variety of related topics (e.g., "School Requirements before Delivering a FFELP Loan," "Earliest Disbursement and Delivery Dates," "Delivery or Return of Loan Funds").

### **Available resources**

The information in this article is available in the *Common Manual* chapter 8. To access and download the 2004 *Electronic Common Manual*, go to [www.tgslc.org/resources/integrated\\_online\\_manual.cfm](http://www.tgslc.org/resources/integrated_online_manual.cfm). For questions, feel free to Ask TG™ or contact TG customer assistance at (800) 845-6267 or by e-mail at [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

## Topsy-turvy terminology

Does a conversation about interest quickly leave you disinterested? Then you're not alone. Many of us find the up and down world of interest quite cumbersome, and anything but interesting. However, you may have borrowers with an interest in interest, and this article will help you provide answers to their questions.

### Interest rate

Interest, as defined in the *Common Manual*, is a charge made to a borrower for the use of a lender's money. The amount of interest that accumulates on a borrower's loan during a particular period depends on the loan's interest rate. For Stafford and PLUS loans, the lender must adjust a loan's interest rate annually every July 1 in accordance with variable interest rates established by ED. The variable interest rate for a loan is based on the type of loan and date the loan was first disbursed.

For example, the current interest rates for Stafford and PLUS loans first disbursed on or after July 1, 1998, are as follows:

- Stafford loans during in-school, grace, and deferment periods—2.77%.
- Stafford loans during repayment—3.37%.
- PLUS loans—4.17%.

For Consolidation loans, the interest rate is the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest 1/8th of a percent.

### Accrued interest

Whether an individual borrows a FFELP loan that is subsidized or unsubsidized, interest accrues on the loan from the date it is disbursed until the date it is paid in full. If a borrower has a subsidized Stafford loan, the federal government pays the interest that accrues during the in-school, grace, and authorized deferment periods. But if a borrower has an unsubsidized Stafford loan, a PLUS loan, or an SLS loan, the borrower is responsible for paying all interest that accrues during the life of the loan. Interest may become a substantial sum over a period of time. Therefore, when we speak of "accrued interest" we are referring to the *accumulation of unpaid interest* on a borrower's loan during the in-school, grace, and repayment periods.

For example, if a student borrower who is in school has a \$1,000 Stafford loan at the 2.77% interest rate, then the amount of interest that will accrue (i.e., the "accrued interest") on the principal balance of \$1,000 for the year will be approximately \$27.68.

### Capitalized interest

Lenders may add unpaid accrued interest to the principal balance of a loan when the following occurs: the borrower enters into repayment, the grace period ends (for loans disbursed October 7, 1998, to June 30, 2000), a deferment ends, a

forbearance ends, or the borrower defaults. The process of adding accrued interest to the principal balance is called *capitalization*; the resulting principal balance after capitalization includes “capitalized interest.” At this point, the loan begins accruing interest on the new principal balance.

For example, if a borrower resumes repayment after a one-year in-school deferment and has a \$1,000 Stafford loan that accrued \$27.68 in interest during the deferment period, the borrower’s new principal balance would be \$1,027.68 once the interest is capitalized. The borrower’s loan then begins accruing interest on the new principal balance of \$1,027.68.

## More information

For more information on interest rates, see the *Common Manual*, section 7.4. For more information on accrued interest and capitalized interest, see sections 9.9 and 9.10, respectively.

You can access or download the latest *Electronic Common Manual* from *TG Online* at [www.tgslc.org/resources/integrated\\_online\\_manual.cfm](http://www.tgslc.org/resources/integrated_online_manual.cfm).

## Legislative update

The August 5 issue of TG’s Legislative Report includes a review of the White House’s “Mid-Session Review” estimating a \$445 billion deficit for FY 2004, an update on the FY 2005 Labor, Health and Human Services, and Education appropriations bill approved by the House of Representatives Appropriations Committee, excerpts from the Kerry/Edwards plan for expanding access to postsecondary education, and an announcement of the next meetings of the Joint House/Senate Interim Study Committee on Higher Education and the Joint Legislative Oversight Committee on Higher education. Keep up with the latest developments by reading the full report on *TG Online* at [www.tgslc.org/lege\\_report/index.cfm](http://www.tgslc.org/lege_report/index.cfm).

## This, that, and the other

Learn more — and you can earn more. That’s the message delivered to students on TG’s “Learn to Earn” postcards, an educational awareness resource that visually demonstrates how postsecondary education can increase earning potential. These convenient postcards can be handed out at college fairs and presentations to encourage students to pursue a higher education. Originally produced for Texas’ “Education-Go Get It!” campaign as part of the state’s Closing the Gaps initiative, these postcards are proving to be popular informational tools to provide to students and their families.

The “Learn to Earn” postcard, as well as other educational awareness tools, forms, and other products, are available for order on *TG Online*. To view and order available products, go to [www.tgslc.org/publications/index.cfm](http://www.tgslc.org/publications/index.cfm) and click on Online Forms/Publications Ordering in the right-hand column. The postcard is available in the product directory under “Awareness and Financial Aid – High School.”



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