

## In this issue:

<b>TG updates.....</b>	<b>1</b>
New president/CEO Sue McMillin reaffirms TG's commitment	1
<b>Federal updates.....</b>	<b>2</b>
ED issues DCL on request and use of ED-PINs	2
<b>Trends and issues.....</b>	<b>3</b>
Topsy-turvy terminology	3
<b>Legislative update .....</b>	<b>5</b>
<b>This, that, and the other .....</b>	<b>5</b>

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

Send a notice to your May 2004 grads that their grace period is almost over. Remind them that repayment begins soon and offer to answer questions. Or direct them to TG's default prevention team counselors at (800) 338-4752.

## TG updates

### New president/CEO Sue McMillin reaffirms TG's commitment

Sue McMillin became TG's new president and chief executive officer on October 1, 2004. Even as the financial aid community prepares for reauthorization and other changes ahead, McMillin pledges that TG's longstanding commitment to its business partners — and the families and students we serve together — remains steadfast.

"Financial aid administrators and student lending professionals can count on TG to continue providing the unsurpassed service, reliable solutions, and innovative support that help them make a difference in the lives of students and families," said McMillin.

With 23 years of experience in banking and student loans, McMillin is well prepared to ensure that TG delivers on that promise. Since joining TG in 1993, she has played a vital role in enhancing TG's reputation for operational and customer service excellence, most recently as senior vice president for customer relations and business operations.

Under McMillin's leadership, TG experienced a significant decline in the cohort student loan default rate and a steady increase in cure rates, default recoveries, and loan guarantees. She also introduced an electronic claims process for TG's lending and servicing partners. In addition to implementing innovative default

prevention initiatives and providing continuing oversight of TG operations, McMillin's most recent responsibilities have included overseeing all customer relationship development with TG's school, lender, and servicer partners and promoting partnerships for pre-collegiate outreach to students and families.

McMillin serves on the board of ELM Resources and has been actively involved with the National Council of Higher Education Loan Programs (NCHELP), Council for the Management of Educational Finance, and the Association of Texas Lenders for Education (ATLE). She has spoken at several state and national industry conferences on a variety of topics, such as privacy compliance for schools, consolidation loan trends, default aversion, and TG's voluntary flexible agreement.

Originally from Michigan, McMillin moved to Austin to attend St. Edward's University. After graduating summa cum laude, she joined Guaranty Federal Bank in Austin and quickly rose to the position of vice president and director of deposit operations, overseeing Austin, Dallas, and Houston retail support services.

TG's Board of Directors named McMillin to the position of president and chief executive officer for the corporation earlier this year. McMillin succeeds Milt Wright, who was TG's president and CEO for eleven years and who retired on September 30, 2004.

"TG has cultivated strong leadership within the corporation over the past decade," said Ruben Esquivel, chair of the TG Board of Directors. "With more than a decade of experience at TG, Sue McMillin has demonstrated passion and commitment to educational access and a dedication to providing the highest possible levels of customer service to help simplify the financial aid process for our lender and school partners and the families and students we all serve."

## **Federal updates**

### **ED issues DCL on request and use of ED-PINs**

ED recently issued Dear Colleague Letter (DCL) GEN 04-10 to clarify the requirements for the request and use of ED-PINs in federal student aid programs. ED also describes actions it will take if it believes the integrity of an ED-PIN is compromised.

ED issues ED-PINs for use by individuals or organizations to conduct a variety of transactions related to federal student aid programs. ED-PINs form a part of the electronic signature process that may be used to sign the Free Application for Federal Student Aid (FAFSA) and other student aid documents. The ED-PIN may also be used to access private and confidential information online, such as financial data from the application processing system and loan information from NSLDS.

## Requirements for an ED-PIN

To safeguard the ED-PIN owner's information, privacy rights, and the integrity of the federal student aid programs, ED established some fundamental requirements for the request and use of an ED-PIN:

- The individual submitting a request for an ED-PIN must be the individual identified in the request who then becomes the owner of the ED-PIN.
- The individual receiving an ED-PIN must be the only individual using the ED-PIN.
- The owner of the ED-PIN must not share the information with anyone else or transfer his or her rights or responsibilities to another person or entity.

## Violation of ED-PIN requirements

ED has become aware of institutions and organizations who systematically engage in activity that is inconsistent with the ED-PIN requirements. Therefore, ED has announced the following consequences:

- If ED determines that the individual submitting a request for an ED-PIN is not the intended owner, or that the e-mail or mailing address for receipt of a PIN is not that of the intended owner, it will not issue an ED-PIN.
- If ED determines that an existing ED-PIN has been compromised, it will deactivate the ED-PIN.
- If ED determines that the nature of the misuse warrants, it may invalidate any documents signed with a compromised ED-PIN, including applications and promissory notes.

## More information

To access DCL GEN-04-08 online, go to [www.ifap.ed.gov/dpcletters/GEN0410.html](http://www.ifap.ed.gov/dpcletters/GEN0410.html).

## Trends and issues

### Topsy-turvy terminology

Have you ever wondered about the differences between the income-sensitive and income-contingent repayment plans? Well, you're in luck — this article compares these two similar, but different, plans and provides details about each.

### Income-sensitive repayment plan

The income-sensitive repayment plan is available only for FFELP loans.

#### *Monthly payments*

Under an income-sensitive repayment plan, a borrower's monthly payments are based on the borrower's expected monthly gross income from employment and other sources.

### *Required documentation*

When requesting an income-sensitive repayment plan, a borrower must submit to the lender documentation of one full month's income (the borrower is not, however, required to provide spousal income information, unless the borrower is requesting this plan for a spousal Consolidation loan). The borrower may use paycheck stubs or other reasonable documentation acceptable to the lender to substantiate his or her monthly gross income. Income documents must be less than 90 days old since the income-sensitive repayment plan is based on the borrower's current financial situation.

### *Payment calculation*

Under an income-sensitive repayment plan, the borrower's monthly payments are based on a percentage, established by the lender, of his or her monthly gross income. The scheduled monthly payment may not be less than the monthly interest accrual, regardless of the borrower's income.

### *Duration*

A lender may grant an income-sensitive repayment plan in 12-month increments for up to 5 years. Each year that a borrower is under this plan, the borrower must submit current income documentation supporting his or her continued need for the plan. If, at the end of 5 years, the borrower is unable to repay the loan within the standard 10-year repayment term, the lender may treat the 5 years of income-sensitive repayment as forbearance, thus extending the remaining repayment period by up to 5 years.

## **Income-contingent repayment plan**

The income-contingent repayment plan is available only for Direct loans.

### *Monthly payments*

Monthly payments are based on the borrower's adjusted gross income (AGI), family size, and Direct loan debt.

### *Required documentation*

When requesting an income-contingent repayment plan, a borrower is required to sign a form that permits the Internal Revenue Service (IRS) to disclose the borrower's individual income tax return (1040) information to ED. The borrower is also required to provide information about spousal income, even if the borrower and his or her spouse did not file a joint tax return. ED will then use the borrower's current AGI obtained from the IRS and any information that the borrower provided about spousal income when calculating the borrower's monthly payment.

## *Payment calculation*

Under an income-contingent repayment plan, the borrower's monthly payments are the lesser of:

- The amount that the borrower would pay if his or her loan was repaid in 12 years multiplied by an income percentage factor that varies with the borrower's AGI.
- 20 percent of the borrower's discretionary income, which is defined as the borrower's AGI minus the poverty rate for his or her family size, divided by 12.

Under an income-contingent repayment plan, the borrower's monthly payment can be scheduled at less than the monthly interest accrual amount.

## *Duration*

Every 12 months, the borrower's income-contingent monthly payment amount will be recalculated based on the borrower's latest AGI. A borrower may continue under an income-contingent repayment plan throughout his or her entire repayment period. However, the maximum Direct loan repayment period is 25 years of standard and/or income-contingent repayment. If, after 25 years of repayment, the borrower's loan has not been paid in full, ED forgives the borrower's remaining loan debt.

## **More information**

See subsection 9.8.C of the 2004 *Integrated Common Manual* (ICM) for more information on income-sensitive repayment schedules. The ECM is available for download at [www.tgslc.org/resources/integrated\\_online\\_manual.cfm](http://www.tgslc.org/resources/integrated_online_manual.cfm).

For information on Direct loan income-contingent repayment plans, visit the Direct loan Web site at [www.ed.gov/offices/OSFAP/DirectLoan/pubs/repabook/icr2.html](http://www.ed.gov/offices/OSFAP/DirectLoan/pubs/repabook/icr2.html).

## **Legislative update**

The September 30 issue of TG's *Legislative Report* includes updates on the legislative outlook for the 109<sup>th</sup> Congress, upcoming national elections and their potential impact on reauthorization and Title IV programs, and Congressional Budget Office and Congressional Research Service estimates on planned federal spending. Also included are updates on the agenda of the Texas Legislature, the Sunset Advisory Commission Review of TG, and the coalition of various Texas higher education and financial aid organizations. 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**

TG is looking forward to another fun and informative TASFAA Fall Conference with our Texas colleagues and friends this week in Corpus Christi. TG will be doing its

part to offer attendees a wide array of sessions. TG team members will be presenting on several timely topics: immigrant students, cash management, strategic enrollment management, default prevention, reauthorization and other upcoming legislation, customer service challenges, diversity, and promoting the financial aid office on campus.

Details on these sessions are available in *Shoptalk Online* Edition 274.

---



P.O. Box 83100  
Round Rock, TX 78683-3100  
(800) 252-9743  
(512) 219-5700  
(512) 219-4560 TDD

*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@tgslc.org](mailto:communications@tgslc.org).

**Contributors to this edition:** Kristin Boyer, Andrés Cordero, Jennifer Evrard, Nina Hold, Sandy Keller, Art Martinez, and Steve Schmidt. Edited by TG Communications and Policy and Regulatory Affairs. Designed by TG Communications.

©2004 Texas Guaranteed Student Loan Corporation.  
The TG logo is a trademark of Texas Guaranteed Student Loan Corporation.