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Tip^{of} the Week

Do your students have questions about consolidation loans? Do they want to know if consolidation is a good choice for them? Visit TG's Consolidation Station at www.tgslc.org/borrowers/consol.cfm for more information.

Federal updates

Congress instructed to resolve reconcilable differences

The House and Senate budget committees have adopted their FY 2006 budget resolutions. The House resolution calls for total FY 2006 spending of \$2.5 trillion. This amount includes \$843 billion in discretionary spending — \$419.5 billion for defense and \$423.5 for non-defense — and provides \$106 billion in selected tax reductions through 2010. The Senate resolution calls for spending of \$2.6 trillion. This amount includes \$843 billion in discretionary spending — \$439 for defense and \$404 for non-defense — and provides \$70.2 billion in selected tax cuts through 2010. Both resolutions include \$50 billion for the "war on terror."

The resolutions will be combined into a single document which will be the "blueprint" that the House and Senate appropriations committees will use in setting specific spending levels for federal programs within the 13 individual appropriations bills. This year, the House and Senate budget resolutions include reconciliation instructions.

Budget reconciliation

Created in 1974 as part of the budget process, reconciliation is used when the congressional budget committees issue directives to legislate policy changes in mandatory spending (entitlements) or revenue programs (tax laws) to achieve the goals in spending and revenue set out in the annual budget resolution.

The policy changes brought about by this part of the budget process are often used as a vehicle for deficit reduction and serve as constraints on:

- The levels of mandatory spending.
- Increases or decreases in federal tax revenues.
- Adjustments to the public debt ceiling.

Reconciliation involves the two budget committees setting a gross, targeted savings to be apportioned among the various authorizing committees. The targeted savings is met through the development of legislation by the authorizing committees that amend laws under their jurisdiction in a way that achieves each committee's assigned savings goal.

Reconciliation instructions

The process of reconciliation begins with the inclusion of reconciliation instructions in the budget resolution. These instructions require the more than 30 authorizing committees — including the House Committee on Education and the Workforce and the Senate Health, Education, Labor, and Pensions (HELP) Committee — to make legislative changes in their programs that achieve a specified level of budgetary savings. The authorizing committees have complete discretion over the specific programs to be changed and the substance of those changes. An authorizing committee only must meet the specified spending and/or revenue directive given it. The reconciliation instructions for the House and Senate budget committees include a total savings target of:

- House: \$68.6 billion over five years – the Education and the Workforce Committee's portion of this savings target is \$21.4 billion over five years and \$2.1 billion for FY 2006.
- Senate: \$32 billion over a five-year period – the HELP Committee's portion of this target is \$8.6 billion over a five-year period.

Budget committees' role

Once the relevant authorizing committees have reported their legislation to the budget committees, it is the budget committees' responsibility to combine those bills into an omnibus bill, as specified by the budget resolution. The legislative products of the authorizing committees are packaged together with report language and the Congressional Budget Office's (CBO's) and the Joint Committee on Taxation's cost estimates.

House and Senate floor consideration

The Budget Act specifies that congressional action on reconciliation legislation should be completed by June 15. To ensure timely completion, the Budget Act provides specific procedures and restrictions for floor consideration of reconciliation measures. In the House, reconciliation legislation is normally brought from the budget committee to the rules committee, which grants a special rule governing floor consideration of the measure. Under the Budget Act and traditionally under these special rules, no amendment is in order that would increase spending or decrease revenue levels relative to the base bill without equivalent decreases in spending or increases in revenues. In other words, amendments must be deficit neutral.

Conference process

Once a reconciliation bill is passed in the House and Senate, members of each body meet to work out their differences. A majority of the conferees on each panel must agree on a single version of the bill before it can be brought back to the full House and Senate for a vote on final passage. Approval of the conference agreement on the reconciliation legislation must be by a majority vote of both Houses. In contrast to the concurrent budget resolution, a reconciliation bill is sent to the president for approval or disapproval.

Reconciliation and reauthorization of the HEA

To achieve its targeted savings, the House Committee on Education and the Workforce and the Senate HELP Committee have ample room to maneuver when considering estimated savings already suggested by the Office of Management and Budget (OMB) and the CBO.

For example, the Bush Administration, while proposing that the Pell Grant Program be sufficiently funded over the next five years to achieve a \$100 annual increase in the annual maximum grant (in order to have a maximum grant of \$4,550 by 2010) and to retire the \$4.3 billion shortfall in the program, is proposing estimated savings of \$19 billion over a 10-year period from reforms in the Federal Family Education Loan Program (FFELP).

The Administration proposes to achieve additional savings by:

- Abolishing the Perkins loan, GEAR UP, and TRIO Upward Bound and Talent Search programs.
- Holding the other Title IV student aid programs to a maximum 2 percent increase over current year appropriations.

The CBO's annual *Budget Options* report to the Congress released this month identifies \$31.5 billion in potential savings over 10 years from the student loan programs to be gained from changes targeted at borrowers and FFELP lenders. According to the CBO, the proposed estimated savings would be generated as follows:

- \$2 billion from repealing the 9.5 percent guaranteed yield on FFELP loans.
- \$7.7 billion from excluding access to subsidized loans for graduate students.
- \$2.9 billion from raising the borrower interest rate.
- \$18.9 billion from repealing the guaranteed interest rate floor for FFELP lenders.

More information

To keep up with the latest legislative news, visit TG's Legislative Report on *TG Online* at: www.tgslc.org/lege_report/index.cfm.

Also, the administration's FY 2006 appropriations submission can be accessed at www.omb.gov and the CBO *Budget Options* report is available at www.cbo.gov.

TG updates

TG's RT4 teleconference is huge success

Financial aid professionals from nearly 200 institutions across 35 states participated in TG's *RT4 – Basics and Beyond* teleconference on Thursday, March 17, making the event the most popular of TG's Industry Telephone Conference series.

TG Senior Policy Advisor Kelly Kaelin provided an overview of the fundamentals of the return of Title IV funds process, along with best practices for completing an accurate and timely RT4 calculation.

Following the hour-long presentation, Kaelin fielded questions from participants who had phoned in from schools nationwide.

"RT4 continues to be a hot topic for schools right now," Kaelin said. "It can be a complicated and time consuming process, but, as always, TG is here to help our customers successfully manage the process."

Satisfied customers

Participants said they were extremely pleased with the teleconference and that the information provided was clear, concise, and will help them perform their jobs even more efficiently.

"Thank you very much for holding the RT4 phone conference," said Jon Decker, Senior Staff Assistant, Student Accounting Office, Empire State College, Saratoga Springs, New York. "It was the most informative session I've ever participated in, and it really cleared things up. Your establishment did an *excellent* job with the presentation, and I just wanted to thank you again!"

Marilyn Raney, Director of Financial Aid and Veteran Services at Texas A&M University – Texarkana, found the teleconference to be informative and timely.

“The conference was *great* and so very helpful!” she said. “It clarified many RT4 issues we’ve been having over the past few weeks.”

More information

If you were unable to attend the RT4 teleconference, another RT4 presentation will be given at the 2005 TG Conference on April 11. You can register and learn more about this session and other valuable TG Conference sessions at www.tgslc.org. In addition, questions and answers from Thursday’s teleconference will be published in an upcoming edition of *Shoptalk Online*.

2005 TG Conference sessions focus on school, lender issues, and default aversion

This year’s TG Conference, *Breakthrough: Higher expectations in higher education*, to be held April 11-13 in Austin, Texas, will offer eight “tracks” with session topics geared to specific audiences. Participants may attend all sessions from a single track or choose various sessions from multiple tracks.

Whatever your choice, this year’s conference sessions and programs will provide you with valuable information and insight on a variety of industry and professional development topics. Here is just a sampling of popular sessions you will be able to choose from.

For schools: Return of Title IV funds

The return of Title IV funds (RT4) is a hot topic on many campuses. A number of financial aid professionals are dealing with what can be a confusing and time consuming process. To gain a better understanding of the RT4 process and receive some best practices advice, consider attending the TG Conference session titled *Breaking Beyond the Basics of RT4* on Monday, April 11, at 3 p.m. This session will be held in a “press conference” format, and participants will be encouraged to ask questions, offer solutions, and share their RT4 experiences.

For lenders: TG PLUS Credit Connection™

One of TG’s newest tools, TG PLUS Credit Connection (PCC) consolidates the PLUS credit approval process through TG Loans By Web™. Come learn how TG’s latest innovation can help you reduce the number of PLUS guarantees that must be reversed because credit approval was not received. Participants in this session, which will be held on Tuesday, April 12, at 2:45 p.m., will learn more about PCC setup, implementation, and product features.

Breakthrough Hour!

Want a chance to learn about a lot of topics in a short period of time? Attend the Breakthrough Hour! on Monday, April 11, at 4:30 p.m. Various table discussions will focus on topics ranging from default aversion to customer service, and learning the language of today’s youth to music trivia. This fast-paced session will keep you

moving and learning, and offer you opportunities to introduce yourself to colleagues in the industry.

More information

For more information about the 2005 TG Conference, to view the complete agenda, or to register, visit *TG Online* at www.tgslc.org. If you have questions, call Judith Cunningham at (800) 252-9743, ext. 2905, or send an e-mail message to judith.cunningham@tgslc.org.

Default management track to offer session on the implications of education debt at 2005 TG Conference

Next month, at the 2005 TG Conference, the Council for the Management of Educational Finance (the Council) will present a series of conference sessions that focus on debt management and default aversion. Committed to its core mission, the Council and TG have worked diligently to provide conference participants with an opportunity to learn about the latest information and best practices in student debt management and default aversion.

The default and debt management track at the 2005 TG Conference will open on Monday, April 11, with a presentation by Sandy Baum, professor of economics at Skidmore College in New York. This session, titled *Explosive Growth in Education Debt*, will present the changing landscape of education debt across the nation and its implications to students, society, and the nation's economy. It will cover the national trends of student borrowing to include alternative loans and credit card use. In addition, this session will present key findings and conclusions of a study on longitudinal default rates and the extensive use of forbearance to repay delinquent loans.

Other sessions throughout the 2005 TG Conference that will be presented on behalf of the Council include the following:

- Financial Literacy Training and Consumer Awareness
- Positive+Balance™: Find the Right Balance in Default Aversion
- Creating Consistency in Educational Finance: A Training Curriculum
- Consolidation Loans
- Best Practices in School-based Default Aversion Strategies

To conclude the debt management track, an interactive session titled *Developing Tomorrow's Default Aversion Strategies* will be presented. During this session, the Council will engage the audience in a structured discussion on new and emerging strategies for addressing debt management and default aversion. The strategies will be based on discussions that took place in all conference sessions of the debt

management track. The audience will have an opportunity to discuss new ideas and approaches to helping students manage their education debt.

More information

To learn more about the Council, contact Maria Luna-Torres at (800) 252-9743, ext. 4632, or send an e-mail message to maria.luna-torres@tgslc.org. To register for the 2005 TG Conference, visit www.tgslc.org.

Trends and issues

FAFSA Info Center debuts on *Adventures In Education*

As an added financial aid resource for your students and parents, *Adventures In Education* (AIE) now features a FAFSA Info Center that offers helpful information regarding the Free Application for Federal Student Aid (FAFSA). The section, available at www.AIE.org/FAFSA, is designed to help college-bound students understand the FAFSA and how the form is used to determine a student's eligibility for financial aid to finance higher education.

Answers to frequently asked questions

The FAFSA Info Center includes an overview of the form and explains how it is used to determine a student's eligibility for federal student aid. It also provides links to video clips from this year's *FAFSA Made Easy* video program, which can help parents and students with the most common questions and issues regarding the form including:

- How to determine whether a student is dependent or independent,
- What the various deadlines are for submitting the form,
- What might qualify as special circumstances for financial aid eligibility,
- How to determine parent or guardian income and assets, and
- How to avoid the most common errors in completing the form.

More information

TG provides AIE as a public service to help families and students realize their educational and career dreams. To learn more about this resource, visit www.AIE.org.

This, that, and the other

The March 29 edition of *Shoptalk Online* will be a special edition focusing on Strategic Enrollment Management (SEM). The special edition will include several in-depth articles that address the many aspects of SEM, latest research findings, and credit and debt trends. The *Shoptalk Online: SEM Special Edition* will be a periodic publication.



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