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Tip^{of} the Week

Going to NASFAA? Stop by the TG booth (No. 713) to learn the latest about TG's solutions, tools, and services.

Federal updates

Moving on up: Interest rates increase for first time in four years

ED has announced that the variable interest rates on Stafford and PLUS loans will be going up nearly two percentage points following a four-year decline that ended with rates at their lowest levels in 35 years.

Interest rates for 2005-06

On July 1, 2005, interest rates on Federal Stafford and PLUS Loans that are subject to the variable-rate provision and were first disbursed on or after July 1, 1998, will be as follows:

- 4.70 percent for Federal Stafford Loans during in-school, grace, and deferment periods.
- 5.30 percent for Federal Stafford Loans during repayment and forbearance.
- 6.10 percent for Federal PLUS Loans.

More rates to come

Some older PLUS and SLS loans have variable interest rates based on the weekly average of the one-year constant maturity U.S. Treasury yield for the last calendar week ending on or before June 26. As a result, new rates on such loans won't be available until late June.

Another interest rate not expected until late June is the one applicable to the HEAL portion of Federal Consolidation Loans, which is based on the average of the bond equivalent rates of the 91-day T-bills auctioned for the quarter ending June 30.

More information

TG will provide more information on the new rates and associated disclosure requirements in future editions of *Shoptalk Online*. ED's press release on the new interest rates is available online at

www.ifap.ed.gov/eannouncements/0531IntRate.html

To access TG's annual interest rate chart for applicable interest rates, visit

www.tgslc.org/pdf/int_rate_chart.pdf.

Reauthorization watch

TG has updated its Higher Education Act reauthorization page on *TG Online* with information on and links for the following recent developments:

New bills

- **Higher Education Relief Opportunities for Students Act of 2005**

The House Education and the Workforce Committee introduced H.R. 2132. The bill, sponsored by Rep. John Kline, proposes to extend the provisions of the Higher Education Relief Opportunities for Students Act of 2003 (HEROES Act) until September 30, 2007. Under the HEROES Act, ED may extend a waiver or modification with respect to certain requirements of student financial assistance during a war or other military operation, or national emergency. To view the bill text, visit www.tgslc.org/reauth/reauth_bills_109.cfm#HR2132.

- **Financial Aid Form Simplification and Access Act**

The Senate Health, Education, Labor and Pensions Committee introduced S. 1030. The bill, sponsored by Sen. Jack Reed, proposes to simplify the financial aid application process. Specifically, the bill proposes to eliminate the long paper FAFSA and instead allow students to rely solely on an online version; create a paper EZ-FAFSA for students qualifying for the automatic zero EFC; change the eligibility for the automatic zero EFC qualification; and put systems in place that allow students to get early estimates of financial aid. To view the bill text, visit www.tgslc.org/reauth/reauth_bills_109.cfm#S1030.

- **Loan Forgiveness for Head Start Teachers Act of 2005**

The House Education and the Workforce Committee introduced H.R. 2340. The bill, sponsored by Rep. Rosa DeLauro, proposes to extend loan forgiveness for certain Head Start teachers. To view the bill text, visit www.tgslc.org/reauth/reauth_bills_109.cfm#HR2340.

- **Higher Education Affordability, Access and Opportunity Act of 2005**

The Senate Health, Education, Labor and Pensions Committee introduced S. 1068. The bill, sponsored by Sen. Elizabeth Dole, proposes to establish a program to train workers in high skill occupations and assist low-income students pursuing a program for employment in high-skill occupations by expanding eligibility for subsidized student loans during the student's first two years of undergraduate study. The bill also proposes to expand the Leveraging Educational Assistance Partnerships (LEAP) Program to allow a state agency to apply with a philanthropic organization or degree-granting school within the state, and to prohibit schools from denying the transfer of credit based on the school where the credit was earned. To view the bill text, visit www.tgslc.org/reauth/reauth_bills_109.cfm#S1068.

- **Foster Opportunities for Success Through Higher Education Reform (FOSTER) Act**

The House Education and the Workforce Committee introduced H.R. 2508. The bill, sponsored by Rep. George Miller, proposes to improve the ability of students in foster care to attend and succeed in higher education. To view the bill text, visit www.tgslc.org/reauth/reauth_bills_109.cfm#HR2508.

- **Student Loan Abuse Prevention (SLAP) Act of 2005**

The Senate introduced S. 1098. The bill, sponsored by Sen. Edward Kennedy, proposes to make permanent the provisions of the Taxpayer-Teacher Protection Act of 2004 to eliminate the 9.5 percent floor loan subsidies in the FFELP, and raise the threshold for forgiveness for math, science, and special education teachers from \$17,500 to \$23,000 in both the FFELP and the FDLP. To view the bill text, visit www.tgslc.org/reauth/reauth_bills_109.cfm#S1098.

- **The College Affordability and Accountability Act**

The House Education and the Workforce Committee introduced H.R. 2739. The bill, sponsored by Rep. John Tierney, proposes to strengthen the commitment between the states, the federal government, and colleges to curb college tuition costs, provide incentives to make tuition affordable, and provide students and their families with access to accurate information about college costs. To view the bill text, visit www.tgslc.org/reauth/reauth_bills_109.cfm#HR2739.

More information

To stay current with the latest updates on developments in the reauthorization process, visit TG's HEA reauthorization Web page on *TG Online* at www.tgslc.org/reauth/index.cfm.

TG updates

TG implements Code of Business Conduct, Ethics Hotline

TG recognizes the importance of conducting business in an ethical manner. Too often, unethical behavior has caused corporate scandals that have made news headlines and cost their employees and shareholders billions of dollars. Such unfortunate events also have destroyed positive reputations that have taken companies years to build.

As a result of several recent scandals, public outrage demanded that companies be held to higher standards of accountability. Congress responded by enacting the Sarbanes-Oxley Act of 2002, which forces businesses to be more transparent in their financial accounting and reporting practices. In an effort to foster long-term protection for an organization from such scandals, many companies have gone beyond these basic requirements by implementing ethics policies and codes of conduct.

While Sarbanes-Oxley does not apply directly to TG as a nonprofit organization, TG has always been committed to maintaining the highest standards of ethical conduct in all of its business activities. To further this commitment, TG has adopted a Code of Business Conduct and implemented an Ethics Hotline, both of which became effective on June 1.

Reporting unethical activities

TG's Ethics Hotline, (877) TG-COMPLY (842-6675), serves as an anonymous method for customers and business partners to report any unethical or illegal behavior engaged in by TG team members.

"The image and reputation of every organization are determined by the example set by its people," said Neal Combs, TG general counsel and chief ethics officer. "We are proud of TG's image and are confident that we will maintain high standards in all that we do. This Code of Business Conduct is intended to ensure that all of our customers can expect their business with TG to be conducted with the highest standard of integrity."

Issues addressed by TG's Code of Business Conduct

TG's Code sets forth the actions and behaviors that TG expects of its team members. The standards and principles included in TG's Code of Business Conduct address two main areas — compliance and ethical conduct. Compliance means following applicable laws, regulations, and TG policies that govern our business

conduct. Ethical conduct means that all TG's business interactions are to be conducted with respect, honesty, trust, and integrity.

More information

To learn more about TG's Code of Business Conduct and Ethics Hotline, visit *TG Online's* TG Code of Business Conduct page at www.tgslc.org/abouttg/conduct.cfm, contact TG's Chief Ethics Officer Neal Combs at (800) 252-9743, ext. 4613, or send an e-mail message to neal.combs@tgslc.org.

Texas Legislature reaffirms TG's mission, benefit to higher education

The Texas Legislature extended TG's charter of operations for another 12 years, the maximum renewable term.

Because TG is an entity created by the state of Texas, it is subject to the Texas Sunset Act. The Sunset Act generally requires that each agency or entity established under state law be reviewed every 12 years by the Sunset Advisory Commission and be "reauthorized" by the state legislature.

TG's Sunset Bill, H.B. 2274, formalizes the recommendation of the Sunset Advisory Commission, which conducted a thorough evaluation of TG's mission and operations over the past two years.

The Sunset Review not only examines fiscal accountability, but also the organization's mission and vision. In its official report, the Sunset Review staff stated the following:

- TG functions effectively in its role as FFELP administrator.
- TG's customers — borrowers, schools, and lenders — give TG high marks in customer service.
- TG has consistently met or exceeded ED's performance goals for administering the FFELP.
- TG's progressive use of technology has made the financial aid process more efficient for FFELP participants.
- TG has kept its default rate low while its loan portfolio has grown significantly.

"We are pleased that the Governor's office, the Legislature, and the Sunset Commission have affirmed the value of TG's work in helping students realize their educational and career dreams," said Sue McMillin, TG president and CEO. "Since our founding in 1979, TG has been committed to simplifying the financial aid process for schools, lenders, and the students we all serve. We've come to be known for the quality of services and resources we provide, and we're proud to have the commendation of those who founded our organization, who feel that we're

not only fiscally and operationally sound, but that we're staying true to our original mission."

By the time the Commission adopted its staff's report, the following two recommendations were added to the legislation:

- Each Texas agency that conducts higher education and outreach activities shall enter into a memorandum of understanding with TG to outline how TG and the other agency will coordinate outreach activities to maximize resources; and
- TG shall conduct a biennial study on the demand for student financial aid in Texas for future legislatures.

"Throughout the process, it has been apparent that the Sunset Advisory Commission and staff have been favorably impressed by TG's involvement in educational outreach and student financial aid research," said George Torres, TG assistant vice president for congressional and legislative relations. "The legislature basically wants TG to continue its active involvement, which speaks highly of our commitment to educational access and success."

More information

To learn more about TG's Sunset Review process, visit *TG Online* at www.tgslc.org, contact George Torres at (800) 252-9743, ext. 4503, or send an e-mail message to george.torres@tgslc.org.

Nominations open for Commitment to Student Success Awards

The Council for the Management of Educational Finance and TG invite schools with demonstrated success in student loan debt management and default aversion to apply for the *2005 Commitment to Student Success Awards*.

Increasing educational costs and student borrowing have challenged schools to develop innovative debt management and default prevention strategies and measures to ensure successful student loan repayment among borrowers. Schools must perform these tasks while still managing their daily operations, serving students, and staying informed on the federal regulations that affect Title IV funding.

To recognize the exceptional efforts that schools have made to address these challenges, TG and the Council encourage institutions to participate in the Commitment to Student Success Awards and to share the many innovative strategies and successful programs that have helped their students to manage their debt and repay their student loans successfully.

Entrant requirements

Applications will be considered from institutions that are Title IV-eligible, are participants in any of the federal student loan programs, and have in the last three academic years:

- Implemented new debt management and default aversion strategies; or
- Implemented significant improvements to existing strategies.

Deadline and notification

The deadline to submit an application is Friday, July 22, 2005. Each award-winning institution will be notified by August 31, 2005, and will be recognized at its state financial aid association's annual conference.

Awards

Winning institutions will receive:

- A letter of recognition sent to the institution's president, member of Congress and state elected officials from the district in which the institution is located;
- Recognition at the state financial aid association's conference and in its newsletter;
- Recognition in an announcement in the *NASFAA Transcript*; and
- A plaque of recognition.

More information

To learn more about the *2005 Commitment to Student Success Awards* and to complete an application, visit www.tgslc.org/council. 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@tgslc.org.

Legislative update

The May 31 issue of TG's *Legislative Report* includes an update on legislation affecting higher education and student financial aid that passed the 79th Texas Legislature, which adjourned on May 30. Keep up with the latest developments by reading the full report on *TG Online* at www.tgslc.org/lege_report/index.cfm.

This, that, and the other

This year marks the 25th anniversary of the Pell grant. Although the grant has been in existence since 1972, when it was called the Basic Educational Opportunity Grant (BEOG) Program, it was renamed the Pell grant in 1980 in honor of U.S. Sen. Claiborne Pell, who sponsored the program in Congress.

In 1979–80, the maximum Pell grant was \$1,800, and, according to the American Council on Education’s report *2003 Status Report on the Pell Grant Program* (www.acenet.edu/bookstore/pdf/2003_pell_grant.pdf), that amount covered 99 percent of the average price of tuition, fees, and on-campus room and board at a public, 2-year college, 77 percent of these prices at a public, 4-year institution, and 36 percent of these prices at a private, not-for-profit college or university.

Today, the maximum Pell grant is \$4,050. What percentage of costs does today’s grant cover at your school?



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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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