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

Stay up-to-date on legislative events during the ongoing [HEA Reauthorization](#), including the latest information on Congressional hearings and bills on *TG Online*.

## Federal updates

### ED issues announcement about guidance applicable to Hurricane Rita

On September 25, ED issued the following announcement on its Information for Financial Aid Professionals Web site (the information is included below in its entirety for convenience):

"General questions about Hurricane Rita may be e-mailed to [RitaFSAhelp@ed.gov](mailto:RitaFSAhelp@ed.gov)

Hurricane Rita

September 25, 2005

On Saturday, September 24, FEMA declared nine counties in Texas and five parishes in Louisiana disaster areas eligible for "Individual Assistance" as a result of Hurricane Rita. These declarations are in addition to the parishes and counties that FEMA had previously declared disaster areas as a result of Hurricane Katrina. The provisions of [Dear Colleague Letter GEN-04-04](#), which is available below, can and

should be relied upon by individuals, institutions, loan holders, and guaranty agencies located in the Hurricane Rita declared disaster areas.

Note that at this time the guidance we have issued related to Hurricane Katrina, beyond what is included in GEN-04-04, does not apply to Hurricane Rita-declared disaster areas. Within the next few days we will evaluate the applicability of the Hurricane Katrina guidance to Hurricane Rita and post additional information to this site.

Please check this page regularly for additional and updated information.

[February 2004: GEN-04-04: Subject: General guidance for helping Title IV participants affected by a disaster.](#)"

### **More information and questions**

To access information about which counties and parishes have been declared disaster areas by FEMA, as a result of Hurricane Rita, visit [www.fema.gov/news/disasters.fema?year=2005](http://www.fema.gov/news/disasters.fema?year=2005). For general information and to view Q&As pertaining to Hurricane Rita, visit the Federal Student Aid Hurricane Information Web page at <http://ifap.ed.gov/eannouncements/katrina.html#Contacts>.

ED has designated the following information channels for those affected by Hurricanes Katrina and Rita:

- Students, parents, and borrowers: call (800) 4FED AID, or (800) 433-3243
- Schools: call (800) 433-3247 or e-mail [fsa.customer.support@ed.gov](mailto:fsa.customer.support@ed.gov)
- Financial partners: (800) 999-8219 or e-mail [nslds@pearson.com](mailto:nslds@pearson.com)
- General: e-mail [KatrinaFSAhelp@ed.gov](mailto:KatrinaFSAhelp@ed.gov) or [RitaFSAhelp@ed.gov](mailto:RitaFSAhelp@ed.gov), as applicable

For questions, call TG customer assistance at (800) 845-6267, or send an e-mail message to [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

### **ED releases revised discharge, forgiveness forms**

ED recently published Dear Colleague Letters (DCLs) GEN-05-11 and GEN-05-12 announcing several revised loan discharge and forgiveness forms. These forms include:

- Loan Discharge Application: Unauthorized Signature/Unauthorized Payment
- Loan Discharge Application: False Certification of Ability to Benefit
- Loan Discharge Application: False Certification (Disqualifying Status)
- Loan Discharge Application: School Closure

- Child Care Provider Loan Forgiveness Application for Renewal Benefits
- Child Care Provider Loan Forgiveness Forbearance Form

The Loan Discharge Application: School Closure form may be used by borrowers in all three Title IV student loan programs: FFELP, Direct, and Perkins. The other three discharge forms and two forgiveness forms listed may be used by borrowers in both the FFEL and Direct Loan programs.

### **Child care provider renewals**

The Child Care Provider Loan Forgiveness Application for Renewal Benefits is to be used by a borrower who has previously been granted loan forgiveness under the Child Care Provider Loan Forgiveness Program and who is applying for additional forgiveness based on continued eligibility under the program. Likewise, the Child Care Provider Loan Forgiveness Forbearance Form is to be used by a qualified borrower who has been granted loan forgiveness under the program but who requires a forbearance on his or her loan(s) while the borrower continues his or her qualifying child care service in order to apply for additional loan forgiveness.

### **Distribution of the revised forms**

Program participants may distribute the revised forms immediately but must distribute them in response to borrower requests on or after February 28, 2006. Lenders may process previously approved forms received after that date. However, lenders should be careful to ensure that a previously approved form is processed using the applicable regulatory/statutory provisions.

### **More information**

The revised forms listed above are available for download on *TG Online* at [www.tgslc.org/forms/index.cfm](http://www.tgslc.org/forms/index.cfm). To access DCLs GEN-05-11 or GEN-05-12, visit the Information for Financial Aid Professionals (IFAP) Web site at [www.ifap.ed.gov/IFAPWebApp/currentDPCLettersTypePag.jsp?p1=GEN&p2=c](http://www.ifap.ed.gov/IFAPWebApp/currentDPCLettersTypePag.jsp?p1=GEN&p2=c).

Borrowers and business partners with questions with regard to the Child Care Provider Loan Forgiveness Program or the Child Care Provider Loan Forgiveness Application can contact ED's Child Care Provider Loan Forgiveness Unit at (888) 562-7002 or TDD: (800) 877-8339. Borrowers can direct any correspondence concerning Child Care Provider Loan Forgiveness Program applications to the following address:

Child Care Provider Loan Forgiveness Program  
P.O. Box 4639  
Utica, NY 13504-4639

## TG updates

### Meet Gail Worry, service representative for loan guarantee operations



In the aftermath of Hurricane Katrina, the financial aid community has acted quickly to help stranded students find alternate schools and additional student financial aid. Fast action has allowed thousands of students to continue schooling without much disruption.

How could so many schools and lenders accomplish this feat in such short notice? Because the enormity of the disaster demanded it, and because financial aid professionals are dedicated to the same goal — providing access to education.

One such team of professionals is TG's loan guarantee operations (LGO). The LGO team ensures a fast and efficient guarantee for FFELP borrowers. Seven service representatives in LGO monitor and manage the large volume of loans TG guarantees on an annual basis. That's quite a bit of work since, so far this fiscal year, TG has guaranteed about 900,000 loans valued at well over \$5.3 billion. In fact, during this peak season, the team handled its single biggest day of business ever, guaranteeing more than \$75 million in loans within one 24-hour period in July.

Service representatives in LGO have an extensive knowledge of federal loan regulations and procedures, CommonLine processing standards, TG's products and services, and the particular challenges that financial aid offices face at peak season. Service Representative Gail Worry typifies the attitude of the LGO team. "We like helping people. One thing I really like is telling students that their loans have been guaranteed," she said.

For the last two and a half years on the LGO team, Gail has become thoroughly acquainted with how best to serve customers. "When peak season rolls around, everybody pitches in. We serve as a resource to each other, asking questions and sharing information. This kind of collaboration best serves our customers."

Gail recently took a break from her peak season duties to talk with **Shoptalk Online**.

**Shoptalk Online:** Describe your duties as a service representative in loan guarantee operations.

**Gail:** Our team is closely involved with ensuring the guarantee for a loan, correcting problems with applications or loans, and answering questions from schools, borrowers, and lenders about related issues. We communicate with our customers by phone, fax, and e-mail (lgo.helps@tgslc.org).

This past year, we answered more than 19,000 calls and nearly 3,000 e-mails and faxes. Inquiries vary based on the person or institution asking the question. For example, students may ask us to help with an application that has been denied, while schools or lenders may ask to modify data on a loan's disbursement. We track student enrollment and biographical changes for students in the U.S. and for foreign students. Basically, our team helps the customer in any way we can.

***Shoptalk Online:*** What's a typical day like?

**Gail:** It depends on the time of the year. Our busiest months coincide with the busiest time for schools, which lasts from late June to September. We coordinate our efforts by dividing into smaller teams to handle various requests. To vary things and to ensure everyone works efficiently in each area, we rotate positions once a month. This is very helpful when the team pulls together to complete the high volume that peak brings. Working as a team is useful because no one person can know everything there is to know about the intricate regulations and procedures involved in taking out a federal student loan.

***Shoptalk Online:*** What are the most commonly asked questions?

**Gail:** Students and parents tend to ask questions pre-guarantee. A Social Security Number may be wrong, for example. So the borrower will call us to find out why the application was denied. In fact, twice a day we receive reports listing applications that have been rejected in processing. We immediately begin calling schools and researching the situation, and we follow up with schools and lenders to let them know whether a guarantee has been made.

Schools and lenders can ask us to make a variety of changes to loans and disbursements. We enter loan increases and reductions, or we can cancel loans. We create change transactions online, or we can walk someone through using AdvanTG Web™. Issues often require contact with other teams in TG, as well as the National Student Loan Data System (NSLDS). In terms of particular changes, missing data is a fairly common problem — a partial driver's license number, for example.

One group we do work with a lot is parents. The financial aid process can be very overwhelming to some parents. After all, they may be signing off on thousands of dollars in loans. We walk parents through the process by explaining to them who we are, why we're involved, and why things work as they do. They're thankful for the help.

***Shoptalk Online:*** How do you maintain strong customer relations?

**Gail:** Our customers know that when they contact loan guarantee operations, they will receive impeccable service, quick turnaround times, and accurate updates. They appreciate that reliability and consistency. That kind of "can do" attitude can be unique among servicer providers, who may take as long as several days to respond. Also, many of our customers contact us on a daily basis so they know us and enjoy talking with us. There's a spirit of camaraderie within our team and with

our business partners at other institutions. I think people like that attitude, since it makes working together both enjoyable and easy.

Learn more

To contact TG loan guarantee operations, call (800) 446-5616 or send an e-mail message to [lgohelps@tgslc.org](mailto:lgohelps@tgslc.org)

## **TG releases bookmarked file of complete 2005-06 FSA Handbook**

Now that ED has released Volume 3, Calculating Awards and Packaging, of the 2005-06 *Federal Student Aid Handbook* (FSA Handbook), all of the volumes of the current version of the FSA Handbook have been published. To assist customers in using the FSA Handbook as a whole, TG has combined all of its volumes into one easy-to-use, searchable PDF. The PDF includes bookmarks of all the individual volumes, as well as bookmarks of the chapters and subheadings within each volume. The file also contains a listing of what's new in this current version and any corrections (errata) made by ED thus far, since the individual volumes of the 2005-2006 FSA Handbook were initially released.

### **How to access the bookmarked FSA Handbook**

To access this practical research tool, visit *TG Online* at [www.tgslc.org/resources/fsa\\_handbook.cfm](http://www.tgslc.org/resources/fsa_handbook.cfm).

### **Questions**

For questions about the 2005-2006 FSA Handbook, contact TG customer assistance at (800) 845-6267 or send an e-mail message to [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

### **Question of the week**

**Q:** Where can I find a list of TG edit codes for loan guarantees?

**A:** The list of TG's Loan Guarantee System Edits is available on *TG Online* at [www.tgslc.org/resources/sysedit\\_stafplus.cfm](http://www.tgslc.org/resources/sysedit_stafplus.cfm). Each edit is listed with a brief description, an applicable loan type, an AdvanTG Web™ edit, an indication of a borrower letter, the corresponding CommonLine error code, and whether the edit is resolvable via TG's online access (known as Real-Time Inquiry/Update under AdvanTG Web).

### **Do you have a question?**

If you have a question that needs an answer, feel free to *Ask TG™*. To submit a question to *Ask TG™*, visit <http://tgslc.custhelp.com>.

## Trends and issues

### The in-school consolidation “aftermath”: Cohort default rates

*Shoptalk Online* concludes its series on the implications of the in-school consolidation rush that occurred earlier this summer. This final article in the series concerns the potential impact that in-school consolidation may have on a school’s cohort default rate.

#### Cohort default rate calculation

First, here is a short refresher on cohort default rates.

A cohort default rate is the percentage of a school’s FFELP or Direct loan borrowers who enter repayment during a given federal fiscal year and default by the end of the following federal fiscal year. This is known as the cohort default period. (Note: A federal fiscal year begins on Oct. 1 and ends the following Sept. 30, and is defined by the year in which it ends. For example, FY 2006 begins on Oct. 1, 2005, and ends Sept. 30, 2006.)

A cohort default rate is calculated as follows:

#### Numerator

Denominator = cohort default rate

Numerator = The number of borrowers who enter repayment in a given fiscal year and default in that fiscal year or the next

Denominator = The number of borrowers who enter repayment in a given fiscal year

#### *Example:*

School XYZ has 250 borrowers who enter repayment between 10/01/2005 and 09/30/2006. Of the 250 borrowers who entered repayment, 12 defaulted between 10/01/2005 and 09/30/2007.

#### Numerator (12)

Denominator (250)

School XYZ’s cohort default rate for FY 2006 is 4.8 percent

The types of loans that are included in the cohort default rate calculation are Stafford loans and SLS loans. Consolidation loans are not directly included in the cohort default rate calculation, but a defaulted Consolidation loan may cause a borrower to be included in the numerator of the cohort default rate calculation (this occurs if the borrower defaults on the Consolidation loan within the cohort default period that is applicable to the underlying loan(s) of the Consolidation loan). The

types of loans that are not included in the cohort default rate calculation are PLUS loans, Federal Insured Student Loans, and Perkins loans.

### **The effect of in-school consolidation on the cohort default rate calculation**

To consolidate his or her Stafford loans while still in school, a borrower must request that the borrower's lender place the loans in a repayment status. If the lender approves the borrower's request, the borrower can then obtain a Consolidation loan.

Because the borrower requests that his or her loans be placed into repayment, the borrower enters into the school's cohort default rate calculation. That is, the borrower is added to the denominator of the calculation. The borrower will not be added to the numerator (the number of borrowers who enter repayment in a fiscal year and default in that year or the next) if the borrower continues in school on at least a half-time basis through the end of the cohort default period. Such a borrower would, in effect, never have the opportunity to default within the cohort default period. This will have a positive effect on a school's cohort default rate. Keep in mind that the borrower must be in good contact with the lender and must secure an in-school deferment while continuing with his or her education. The school must also be diligent in its enrollment reporting process.

However, if a borrower with an in-school Consolidation loan exits school with at least 270 days remaining in the cohort default period, he or she still has the opportunity to default by the end of the cohort default period. And if the borrower does so, this will have a negative effect on the school's cohort default rate.

Also keep in mind that if a borrower takes out a new Stafford loan after consolidating, the borrower will enter repayment on this loan when he or she exits school and exhausts the six-month grace period. That means the borrower enters the denominator of the school's cohort default rate calculation for that fiscal year. If the borrower defaults by the end of the following fiscal year, this will have a negative effect on the school's cohort default rate.

### **More articles in this series**

To read previous articles in this series, visit *Shoptalk Online* editions [318](#), [319](#), [320](#), [321](#), and [324](#).

### **Learn more**

For questions, call TG customer assistance at (800) 845-6267, or send an e-mail message to [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

## **This, that, and the other**

Claiborne deBorda Pell is probably best known to those of us in the student financial aid community as the senator for whom the Pell grant was named. But, do you also know that Pell was the longest-serving U.S. senator in Rhode Island's history (for 36 years from 1961 to 1997)? During his time in Congress, Pell took a leading role

in breaking down financial barriers to education with legislation that created the Basic Educational Opportunity Grant, renamed the Pell grant by Congress in 1980.

Pell's motto, "Translate ideas into actions that help people," is positively exhibited in his record on education reform, environmental policy, health care programs, arts and humanities funding, and foreign policy. Pell is quoted as saying, "The strength of the United States is not the gold at Fort Knox or the weapons of mass destruction that we have, but the sum total of the education and the character of our people." As a living testament to his words, Salve Regina University in Newport, Rhode Island established the Pell Center for International Relations and Public Policy by an Act of Congress in 1996 to perpetuate the senator's life work of advocating world peace and an educated public.



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

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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:** Jennifer Evrard, Kelly Kaelin, Sandy Keller, Art Martinez, Susan Martinez, and Matt Smith. Edited by TG Communications and Policy and Regulatory Affairs. Designed by TG Communications.

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