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Tip^{of} the Week

Do your students have questions about career planning, how to budget, or financial aid? Direct them to TG's public-service Web site, *Adventures In Education*, to find answers and resources. Visit www.aie.org/College/index.cfm

Federal updates

ED provides guidance on preparatory coursework provision

In response to inquiries from the financial aid community, ED has recently provided clarification on the "preparatory coursework" exception that allows schools to award FFELP loan funds to students completing prerequisite coursework necessary to enter a degree or certificate program.

The basics

Federal regulations state that in order to receive FFELP funds, a student must be a "regular student" admitted to a degree or certificate program; however, occasionally a student will request FFELP funds to pay for the costs of taking preparatory coursework. Although such a student may be admitted to a school as a non-degree seeker or post-baccalaureate student and may not, therefore, meet the definition of a "regular student," the student is still permitted, under an exception to the regulations, to receive Stafford and PLUS loan funds for a single, 12-consecutive-month period.

A student may borrow under this preparatory coursework exception for programs at any school, as long as the school at which the student is borrowing obtains documentation that demonstrates the necessity of that coursework. The school is

responsible for determining what it considers appropriate documentation. For example, School A may award a Stafford loan to a student enrolled in coursework that will allow admittance to a degree program at School B, as long as School A documents that the preparatory coursework is necessary for admission to the School B degree program.

Loan limits

For preparatory coursework necessary for admission to an undergraduate (associate or bachelor's) degree program, a dependent student may borrow up to \$2,625 in Stafford loan funds; an independent student (or a dependent student without access to PLUS loan funds) is allowed an additional \$4,000 in unsubsidized Stafford loan funds, for a total of \$6,625 for the permitted 12-month period. A dependent student enrolled in preparatory coursework necessary for admission to a graduate or professional program may borrow up to \$5,500 in Stafford loan funds, while an independent student (or a dependent student without access to PLUS loan funds) may borrow an additional \$5,000 in unsubsidized Stafford loan funds, for a total of \$10,500. Dependent students are also eligible to apply for funding through the PLUS Loan Program for preparatory coursework expenses during the permitted 12-month period.

Recent guidance from ED

As reported in the January 10, 2006, NASFAA *Today's News* (password required), ED has provided additional guidance for schools awarding FFELP loan funds under the preparatory coursework exception. The guidance stresses that the preparatory coursework exception is student-specific, not program-specific; a student may use the 12-month exception only once in his or her lifetime. This rule applies even if the student:

- Is completing additional preparatory coursework for a different degree level or at a different institution.
- Did not enroll the entire 12 consecutive months when previously granted an exception.
- Did not borrow the maximum allowable amount when previously granted an exception.
- Has repaid in full any loans borrowed for previous preparatory coursework.

A school must review its records and the student's National Student Loan Data System (NSLDS) history before certifying a FFELP loan for a student's preparatory coursework. If the student has no previous FFELP history, no additional research is necessary before awarding the student. If the student does have a FFELP history, the school must, before certifying a loan, verify that the student has never previously borrowed under the preparatory coursework exception, and document the student's file accordingly.

Because there is currently no method of determining whether a student's FFELP history as reported in the NSLDS includes loans borrowed under the preparatory coursework exception, ED has given schools flexibility in tracking and verifying students' eligibility. For a student who has previously borrowed FFELP loan funds only at the school where he or she is completing preparatory coursework, a review of the student's records should indicate whether or not the student has used his or her one-time exception. If a student has borrowed at another institution, the school may determine how to document the student's eligibility for the exception; for example, the school may contact previous institutions to inquire about the student's history, or may require a statement from the student certifying that he or she has never previously used his one-time exception.

More information

For questions about the preparatory coursework guidance, call TG customer assistance at (800) 845-6267, or send an e-mail message to cust.assist@tgsdc.org

President signs FY 2006 appropriations bill

On December 30, President Bush signed the FY 2006 Labor-HHS appropriations bill into law, setting the spending levels for the fiscal year ending September 30, 2006. Below are some high points of the bill that affect higher education funding.

Pell maximum does not change

Amid different proposals to increase the maximum annual Pell grant award to as much as \$4,150, once again, Congress decided to keep the maximum award unchanged at \$4,050. This marks the fourth year that the maximum annual award remained constant. While the award amount stayed the same, the total funding for the Federal Pell Grant Program increased by \$812 million, or 5.5 percent, in an effort to help satisfy the rising numbers of students entering into postsecondary education with high financial need.

Congress imposes across-the-board spending cut

Lawmakers knew that they were up for a challenging appropriations process this year when the president requested \$3.7 billion less in education related spending compared to FY 2005 levels. In addition, House and Senate negotiators implemented a 1 percent spending cut to discretionary funding pursuant to the government-wide rescission called for in the Department of Defense Appropriations Act.

The result was that higher education programs remained relatively unchanged from FY 2005 levels, with the exception of the Federal Pell Grant Program. Due to the 1 percent government-wide rescission, FY 2006 spending levels actually experienced slight drops when compared with FY 2005.

Decreases in other programs

Notable decreases to higher education related programs are included in the chart below. The FY 2006 levels reflect the 1 percent cut to discretionary spending.

| Program | FY05 Funding | FY06 Funding |
|--|---------------|---------------|
| Supplemental Educational Opportunity Grant (SEOG) Program | \$779 million | \$771 million |
| Perkins Loan Program | \$66 million | \$65 million |
| Federal Work-Study | \$990 million | \$980 million |
| Leveraging Educational Assistance Partnerships Program | \$66 million | \$65 million |
| TRIO | \$837 million | \$828 million |
| GEAR UP | \$306 million | \$303 million |
| Strengthening Historically Black Colleges and Universities | \$239 million | \$238 million |
| Strengthening Hispanic-Serving Institutions | \$95 million | \$94 million |

More information

For more information on the FY 2006 appropriations, contact TG customer assistance at (800) 845-6267, or send an e-mail message to cust.assist@tgsic.org

TG updates

TG celebrates 25 years of guarantees



This week TG celebrates the silver anniversary of its first student loan guarantee. The \$1,850 loan, borrowed at nine-percent interest from Herring Bank of Amarillo, Texas, allowed a Baylor University student to attend classes for the 1981 spring semester.

Although TG's current guarantee process is nearly instantaneous, it wasn't quite as streamlined two-and-a-half decades ago. TG could only guarantee about 125 applications per day; because that was the maximum number the Harris computer could handle for batch printing to be completed by the following day.

"Applications were one page, and then the promissory note printed out after the loan was guaranteed," recalled Janet Weber, TG claims examiner. "Every application was keyed twice to make sure there were no mistakes."

Dianne Ivy, TG senior accountant, also recalls a much more labor-intensive process. "When I started doing the federal reporting in July of 1981, you had to report everything in detail," she commented. "They wanted each loan listed separately. Everything was typed on a typewriter. It was all done by hand — green ledger pads, calculators, and paper."

Over the course of the first 12 months of guarantee operations, TG guaranteed 55,935 loans for a net cumulative amount of \$138,663,631. In comparison, for FY 2005, TG guaranteed 878,691 loans for a total of \$3.3 billion. And cumulatively since that first guarantee, TG has guaranteed more than 9 million student loans totaling more than \$40 billion, enabling more than 3 million students to pursue a postsecondary education.

"Our many accomplishments have always been and continue to be guided by the students we serve through strong alliances with schools, lenders, secondary markets, and servicers," said Sue McMillin, TG's president and CEO. "Without these organizations, we never would have made it to this point. The solid participation and strong partnerships we rely upon daily have been the key to TG's success."

Attend TG training sessions at the SASFAA conference

The 2006 SASFAA conference will be a great opportunity to gain industry training and insight, and TG representatives will be there to offer four informative and innovative training sessions to grab your attention and get you motivated.

The SASFAA conference, *Financial Aid: Unmasked*, will be held February 12 – 15 in Greensboro, North Carolina. Plan to attend one or more of the following training

sessions presented by TG representatives to gain the most up-to-date industry and professional development knowledge.

- **Default Aversion/Prevention; Managing Your Cohort Default Rate, presented by Joe Braxton, default aversion consultant**

As the cost of education continues to escalate and student loan debt continues to rise, it is more important than ever to effectively manage your student loan programs. This presentation will focus on offering effective means of assisting your students with avoiding default and helping to manage and/or reduce your school's cohort default rate.

- **Whale Done!™, presented by Darron Grussendorf, senior customer trainer for business partner services**

Based on the book by Ken Blanchard, *Whale Done!* focuses on the power of giving positive reinforcement, praising progress, and catching people doing things right. How often are you “caught” doing things right? How often do you “catch” others? This presentation is designed to help you improve relationships in your work and personal life, increase motivation, and enhance the performance of the people who interact with you.

- **Diversity: A Mosaic of Possibilities, presented by Pat Woods, assistant manager, corporate learning and development**

Visionary organizations that want to be leaders in their respective fields will take the reality of diversity and make it a corporate asset. In this interactive session participants will learn why organizations care about diversity and how to increase awareness about the impact of diversity at work; identify actions to address stereotypes and perceptions; and examine how valuing differences can achieve positive results.

- **Default Profiling and Evaluating Default Trends, presented by Matt Steiner, senior research analyst for research and analytical services**
Participants in this session will take a look at the findings of the institutional default studies that TG conducted for Texas A&M – College Station, the University of South Florida, and Texas A&M – Kingsville. A special emphasis will be placed on discussing ways the findings were used, or could be used, for default aversion purposes at other schools.

Where to find TG at SASFAA

Don't forget to stop by the TG booth #321 at the SASFAA conference. TG representatives will be available to discuss how our products and services can enhance the financial aid process for families and students and to answer any questions you may have.

More information

Additional information on the SASFAA Conference is available at <http://www.sasfaa.org/docs/conferences/2006/welcome.html>

To learn more about training opportunities offered through TG's Speakers Bureau, visit <http://www.tgslc.org/speakers/index.cfm>

TG names Thresa Tyus as new account executive

As an account executive with TG's relationship management and consulting team, Thresa will provide enhanced customer service to TG's customers in the Dallas/Fort Worth and East Texas areas.



Thresa joined TG in 2004 as a lender partnership consultant in the Dallas region. She has gained more than 12 years of experience in the student loan industry, beginning her career with Sallie Mae in Killeen as a loan originations technical representative. She later worked at Central Texas HEA in San Marcos as a client services representative.

Prior to joining TG, Thresa worked with the Higher Education Servicing Corporation in Arlington as a senior loan originations representative and then as marketing liaison. As marketing liaison, she provided excellent customer service to her school, lender, and borrower clients. Thresa's student loan and customer service background is a great asset to TG's customers.

"We are very excited to have Thresa and her wealth of industry knowledge, experience, and solid relationships with customers in her region on the Texas school team," said Cynthia Mayberry, manager, Texas consulting, relationship management and consulting.

Thresa holds an associate degree in applied science from Tyler Junior College. She is currently pursuing a bachelor's degree in business at Northwood University.

More information

Thresa can be reached at (800) 252-9743, ext. 4646, or by e-mail at thresa.tyus@tgslc.org

Question of the week

Q: Can a loan be disbursed after the end of the loan period or the date on which a student ceases to be enrolled at least half time?

A: Yes, the lender can disburse, and the school can deliver a loan after these timeframes, provided that:

- The school certified the borrower's loan before the end of the loan period or the date on which the student ceased to be enrolled at least half time, whichever is earlier.
- Except in the case of a PLUS loan, ED processed a Student Aid Report (SAR) or an Institutional Student Information Record (ISIR) with an official expected family contribution (EFC) before the date the student became ineligible.
- In the case of a first-year, first-time borrower whose loan is subject to delayed delivery, the student completed the first 30 days of his or her program of study.
- In the case of a second or subsequent disbursement, the student graduated or successfully completed the period of enrollment for which the loan was intended.
- The loan funds will only be used to pay educational costs that the school determines the student incurred for the period in which the student was enrolled and eligible.
- The school delivers the funds no later than 120 days after the earlier of the end of the loan period or the date on which the student ceased to be enrolled at least half time. On an exception basis, and with the approval of ED, the school may make a late delivery of loan funds after the applicable 120-day period, if the reason the late delivery was not made within the 120-day period was not the fault of the student.

For more information on the subject of late disbursement, refer to the *Common Manual* subsections 7.7.G and 8.7.E. For guidance about requesting approval to make a post-120-day late disbursement, refer to <http://ifap.ed.gov/dpccletters/GEN0513.html>

Do you have a question?

If you have a question that needs an answer, feel free to *Ask TG*[™]. *Ask TG* is TG's online query tool for borrowers, schools, and lenders. *Ask TG* includes a database of frequently asked questions about financial aid, student loan processing, and TG's products and services. To submit a question to *Ask TG*, visit <http://tgslc.custhelp.com>

This, that, and the other

Freshman seminars – small, interdisciplinary courses that diverge from the standard anonymous freshman lecture hall of several hundred students – have become more popular among the nations' colleges, according to a CNN article. Such courses have been around nearly a half-century, and longer by some definitions, but their popularity is surging. The number of colleges offering freshman seminars nearly doubled between 2000 and 2003 to about 25 percent, according to surveys of about 620 two- and four-year colleges by a University of South Carolina research center.

Proponents say this type of learning is valuable, gets students excited intellectually and helps them quickly develop relationships with top professors. A growing body of research shows engagement is a key to keeping students on track to graduate.

Experts say the quest to lure bright undergraduates partly explains why these programs are expanding. At competitive liberal arts schools, freshman seminars are now so common that not having one might be conspicuous to prospective students, and larger state universities also are expanding freshman seminars to stay attractive to those same students.

To read the article, visit

<http://www.cnn.com/2006/EDUCATION/01/05/freshman.seminars.ap/index.html>



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