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Tip^{of} the Week

Missed the *FAFSA Made Easy* broadcast? Order a tape of the event and promotional material and have a FAFSA night or day at your institution or at a local high school. Contact Richard Sapp at (800) 252-9743, ext. 2865 for more information.

Federal updates

President Bush releases proposed budget for FY 2007

On February 6, 2006, President Bush submitted his proposed budget for FY 2007 to Congress. Consistent with last year's budget process, the president has expressed the goal of maintaining fiscal responsibility in an attempt to cut the federal deficit in half by 2009. In the quest to achieve this goal, the Bush Administration continues to target programs for elimination that duplicate other programs at the federal or state levels, are not performing well, or have completed their intended purpose. In the midst of many program cuts and the recent Deficit Reduction Act of 2005, both FFEL and Direct Loan Program participants received good news as no changes were proposed for either of the two major loan programs.

New to the president's budget for ED in 2007 is the American Competitiveness Initiative outlined in the recent State of the Union Address. Created with the goal of allowing the United States to remain competitive in the global economy, the American Competitiveness Initiative is targeted at strengthening math and science instruction at the K-12 and postsecondary education levels.

Staying the course

In the FY 2006 budget, the Bush Administration recommended considerable reductions in, or the termination of, funding for 48 education programs. Of these 48 programs, five were terminated, saving \$26 million. In FY 2007, the president has proposed the termination of an additional 42 education programs that the Bush Administration deems to be ineffective or underperforming. The elimination of these programs will result in a savings of \$3.5 billion.

Request for funding

The president has requested \$54.4 billion for ED in discretionary funding for FY 2007, a \$3.1 billion or 5.5 percent decrease from 2006 levels. In addition to this decrease in funding for FY 2007, the president has redirected significant funding toward "priority" programs, such as Title I High School Reform, the Teacher Incentive Fund, and programs in the American Competitiveness Initiative.

Pell grants

For the fifth consecutive year, the budget fails to increase the maximum Pell grant. While the maximum Pell remains constant at \$4,050, the Bush Administration did propose the allocation of \$12.7 billion, a 1.9% increase from FY 2006, for the Pell Grant Program to provide funding for an additional 59,000 Pell grant recipients.

Campus-based programs

Pertaining to the campus-based programs, which include the Supplemental Educational Opportunity Grant (SEOG), Federal Work-Study (FWS), and Federal Perkins Loan Programs, the president's budget would:

Leave funding of the SEOG and FWS Programs at current levels.

Terminate funding for Perkins loan cancellations.

American Competitiveness Initiative

Announced in the president's State of the Union Address, the American Competitiveness Initiative takes aim at improving the nation's long-term economic competitiveness by investing in education in the areas of math, science, and research. Major components of the initiative include:

- \$125 million for Math Now for Elementary School Students.
- \$125 million for Math Now for Secondary School Students.
- \$90 million increase for the Advanced Placement program.
- Creation of a National Math Panel to research and develop math instruction.
- An Adjunct Teacher Corps allowing for qualified professionals in industries outside of education to teach secondary school courses in core subjects.
- Academic Competitiveness Grants targeting low-income students excelling in math and science.

Elimination of funding

Following the pattern established in the FY 2006 agenda, the Bush Administration included many of the same programs on the chopping block in the FY 2007 budget that failed to be eliminated in final FY 2006 appropriations. These programs include:

- Upward Bound.
- Talent Search.
- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP).
- All vocational and technical education programs.
- The Leveraging Educational Assistance Partnerships (LEAP) Program.

More information

The president's complete FY 2007 budget is available online at www.whitehouse.gov/omb/budget/fy2007/budget.html. To review a summary of ED's FY 2007 budget, visit <http://www.ed.gov/about/overview/budget/budget07/summary/index.html>

ED no longer requires schools to consider "unallocated" amounts on NSLDS

As reported in an NSLDS Newsletter released last week, ED has reversed a previous policy that required financial aid administrators (FAAs) to determine if "unallocated" amounts reported on a student's financial aid history on NSLDS affect a student's eligibility for subsequent Stafford loans. Effective January 2006, FAAs are no longer responsible for making such determinations. Further, per ED, NSLDS "does not use unallocated amounts when calculating aggregate subsidized, unsubsidized, and combined outstanding principal balances." As a result, the manner in which Consolidation loans are displayed on the NSLDS Web pages has also been modified. You may view the entire NSLDS Newsletter, including screen shots of the Web site format, at <http://ifap.ed.gov/nsldsmaterials/NSLDSNewsletter11.html>.

Background

As reported in *Shoptalk Online* [Edition 318](#), last summer's flood of Consolidation loan applications has resulted in a growing phenomenon for schools — a significant number of students are now applying for federal aid with a Consolidation loan in their NSLDS financial aid history. This often makes it difficult for a school to determine a student's remaining Stafford loan eligibility for future loan certifications.

Many times, when reviewing a student's NSLDS financial aid history, a school may notice an unallocated amount along with a Consolidation loan, indicating that the sum of the student's underlying Stafford loans does not equal the amount of the Consolidation loan. The unallocated amount could include capitalized interest, spousal consolidations, and/or other Federal Student Aid (FSA) loans, such as

Perkins. Up until recently, a school has been required to research this discrepancy in order to determine whether all of the student's loans were accounted for properly and to ensure that any new loans would not cause the student to exceed his or her Stafford loan aggregate limit.

ED recently conducted a thorough assessment of this system of treating unallocated amounts, and concluded that the school's review requirement was unnecessary and, in certain circumstances, adverse to the student (if, for example, an amount that should not be considered, such as capitalized interest, was counted against the student's Stafford loan aggregate limit.) Thus, ED released the NSLDS Newsletter, publishing its new policy, relieving schools from the responsibility to determine the treatment of unallocated amounts.

More information

For questions about this policy change or the new NSLDS reporting methods, call TG customer assistance at (800) 252-9743 or send an e-mail message to cust.assist@tgslc.org.

ED delivers draft FY 2004 cohort default rates

On February 13, ED electronically transmitted draft cohort default rate notification packages (eCDRs) for FY 2004 to all schools located in the United States. Through eCDR, the schools receive draft cohort default rate packages instantly and electronically rather than through courier service as hard copy. Foreign schools are not required to participate in this electronic process. Foreign school CDR notification packages were mailed February 13.

Purpose of draft rates

The draft cohort rates are provided to schools for informational purposes and have no eligibility consequences during the draft review period. ED provides draft cohort default rates to give schools an opportunity to review and challenge the rates prior to the publication of the official cohort default rates. These rates are not considered public information and may not be released to the public by guaranty agencies or by ED.

Challenges

ED permits schools to challenge draft cohort rate data based on two different criteria described below. Schools are given the opportunity to submit these challenges to help ensure the accuracy of the FY 2004 official cohort default rates to be published later this year and to preserve the right of schools to appeal potential adverse consequences associated with high official cohort default rates.

Incorrect data challenges

ED provides every school a 45-calendar-day period to review the loan data used to calculate its draft cohort default rate. If a school identifies any data it believes to be inaccurate, it may challenge its draft cohort rate to request verification and

correction of errors. Challenges of FFELP data must be submitted to the guaranty agency responsible for managing that data within the 45-day review period.

Participation rate index challenges

ED also provides every school with 30 calendar days to submit a participation rate index challenge to ED's Default Management Division. Participation rate index challenges are also intended to prevent potential adverse consequences anticipated by schools based on high official cohort rates, but these challenges are based on low numbers of student loan borrowers rather than on allegations of inaccurate data.

Time frames for challenges

Time periods for challenging the FY 2004 draft cohort default rates under 34 C.F.R. Part 668, Subpart M begins on Wednesday, February 22, 2006, for domestic schools. For foreign schools that were mailed a hard copy notification package, the time period begins on the date that the package is received.

Submitting incorrect data challenges to TG

For schools that use TG as their guarantor, challenges of draft cohort default rates should be mailed to one of the following addresses:

For regular mail:

TG
Attn: Compliance Analyst
P.O. Box 83100
Round Rock, TX 78683-3100

For overnight delivery services:

TG Distribution Center
Attn: Compliance Analyst
3500 Wadley Place #303
Austin, TX 78728-1244

More information and questions

You can find more information on challenging draft cohort default rates in chapter 4.1 of ED's Cohort Default Rate Guide — available online at www.ifap.ed.gov/drmaterials/finalcdrg.html. The checklist on page 4.1-14 offers a good step-by-step summary. You can also view ED's new *CDR Guide Quick Reference* at <http://www.ifap.ed.gov/DefaultManagement/DefaultManagement.html>

For questions about the FY 2004 draft cohort default rate challenge procedures, call TG's Ken Johnson at (800) 252-9743, ext. 4701, or send an e-mail message to ken.johnson@tgslc.org.

President signs Deficit Reduction Act; corrections to last week's edition

In *Shoptalk Online* [Edition 341](#), TG reported that the Congress had approved the Deficit Reduction Act of 2005 (S. 1932), which was awaiting presidential signature. The following day, February 8, 2006, President Bush signed the legislation into law.

Corrections to last week's articles

Our readers spotted a few errors in last week's *Shoptalk Online*. TG has corrected the version of the articles archived on our Web site, and wants to make sure that you are aware of the changes.

- The forthcoming annual incremental reduction in the origination fee applies only to FFELP and Direct Stafford loans; it is not applicable to either FFELP or Direct PLUS loans.
- The triggering event for the new 1% federal default fee is the date of guarantee of the loan, not the date of disbursement.
- Unlike many other changes in federal methodology, the effective date for the broadening of the simplified needs test was not specified. Unless Congress makes any further revisions to the section of S. 1932 that concerns this change, it is assumed the effective date of the change will be July 1, 2006.

TG regrets the errors, and appreciates the keen eyes of its *Shoptalk Online* readers.

TG updates

TG's FY 2005 Annual Report available

TG's Annual Report for FY 2005 is now available. The report illustrates TG's strong financial position and highlights our accomplishments during the past fiscal year, including public benefit activities TG has initiated, operational efficiencies gained, and corporate goals TG has achieved. The report also features examples from many of our business partners about the quality of service they receive from TG.

Some of TG's FY 2005 successes highlighted in the Annual Report include:

- Guaranteed more than 878,691 loans.
- Loans guaranteed were worth more than \$3.3 billion.
- Recovered a record of more than \$291 million from default.

- Outreach initiative generated 40,000 calls to TG.
- 193 sites hosted the 2005 FAFSA Videoconference.

How to receive a copy

More than 5,000 copies of the FY 2005 Annual Report already have been mailed to TG's customers and business partners across the country. In addition, the report is available for download in PDF format on *TG Online* at www.tgslc.org/publications/financials/finance.cfm.

TG participates in TERP

On February 11, TG will become a Total Enrollment Reporting Process (TERP) participant. If you are a lender or servicer customer of both TG and the National Student Clearinghouse (NSC), you receive your enrollment data from both TG and the NSC. If you choose to participate in TERP, TG now can modify your customer profile to suppress the creation of enrollment records, which would allow you to receive all of your TG enrollment data directly from the NSC.

This modification would eliminate duplicate enrollment information and would allow you to streamline your enrollment processing. However, TG would continue to send you any applicable borrower identifier and demographic changes each week in the same format in which you currently receive these changes.

If you are not a NSC lender or servicer you will continue to receive all of your TG enrollment, demographic, and identifier changes from TG each week just as you do today.

To participate in the TERP process with TG, you must return a TG TERP agreement to TG's data reporting team. If you have questions about the TERP process or would like a copy of the TG TERP agreement, please contact the TG data reporting team at (800) 801-8416 or send an e-mail message to good.data@tgslc.org.

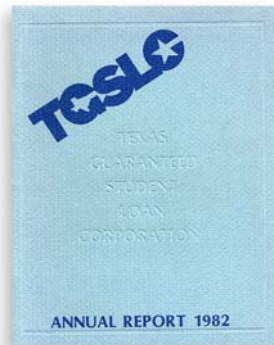
If you would like to learn more about the NSC please contact Nancy Wiederspan at (402) 489-0885 or send an e-mail message to nancyw@studentclearinghouse.org. You also may contact Roberta Hyland at (703) 742-4203 or send an e-mail message to hyland@studentclearinghouse.org.

Reporting Back: 1982



TG's second Annual Report, issued June 30, 1982, reported on TG's first full year as a loan guarantor and on the further efforts of TG's board and team members to develop and maintain a fully functioning guarantor for the state of Texas. TG experienced tremendous growth in loan volume, school customers, lender partners, and TG team members during FY 1982. Here are some excerpts from the 1982 report:

"The 1981-82 year began with a total corporate operating budget of \$1,248,922 for the full 12-month period. At year end there were 556 participating lenders and 922 eligible schools in the Texas Guaranteed Student Loan Program. Total loans guaranteed since the beginning operations of TGSLC (January 1981) had reached almost \$170,000,000 in volume for 69,000 total loans...



"The Board of Directors and the TGSLC staff will continue in the years ahead to be dedicated to these corporate goals: providing adequate loan access to students, encouraging increased private lender participation, maintaining a strong financial position for the corporation, administering the guaranteed student loan program in the most cost effective manner possible, controlling the student loan default rate, and conducting a leadership role in student financial aid in Texas."

Find a TG training event near you

Financial aid officers look forward to two things come February: the end of the spring peak season and some free training to help them do their jobs even better. While TG can't make peak season end any faster, our professional trainers and presenters can provide your staff with some free training this year, as they travel around the country to various conferences and other events.

TG's trainers are known for providing some of the best training on technology, policy and compliance, office practices, and professional development in the student financial aid industry. TG's training sessions leave participants energized with new information and empowered to meet the challenges in their work lives.

This year, TG has more than 50 training events planned across the country, including the TG Annual Conference to be held April 18 – 20 in Austin, Texas.

Following is a partial list of events in which TG will participate in the upcoming months. For a complete event list that is updated regularly and for registration information, visit the TG Events Calendar on *TG Online* at <http://www.tgslc.org/abouttg/calendar.cfm>.

- SASFAA Annual Conference, Greensboro, North Carolina, February 12 - 15
- TG Regional Training in Phoenix, Arizona (February 17) and Edinburg, Texas (February 24)
- MASFAA (Missouri) Spring Conference, Lake Ozark, Missouri, March 8 - 10
- NMASFAA (New Mexico) Spring Conference, Ruidoso, New Mexico, March 15 - 17
- Annual Community College Forum, Austin, Texas, March 28
- ILASFAA (Illinois) Annual Conference, Springfield, Illinois, April 2 - 4
- WASFAA (Western) Annual Conference, Reno, Nevada, April 2 - 4
- KASFAA (Kansas) Annual Conference, Overland Park, Kansas, April 5
- AASFAA (Alabama) Conference, Orange Beach, Alabama, April 12
- TG Annual Conference, April 18 - 20
- VASFAA (Virginia) Annual Conference, Virginia Beach, Virginia, May 7 - 10
- NASFAA Annual Conference, Seattle, Washington, July 5 – 8

Question of the week

Q: What is TG's PLUS Credit Connection?

A: TG PLUS Credit Connection™ (PCC) is a feature of TG Loans By Web™ (LBW) , which allows schools and parents to receive electronic notification of credit approvals in just minutes.

For more information about LBW and PCC, contact Product Support at (800) 332-1455, send an e-mail message to product.support@tgslc.org or link to <http://www.tgslc.org/resources/pcc.cfm>.

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

A new report by the American Council on Education (ACE) estimates 1.5 million students who would probably have been awarded Pell Grants in 2003-04 did not apply for them. That's up from ACE's estimate in a previous survey of 850,000 who

missed out on aid in 1999-2000, the *Associated Press* reported in a February 13 article.

The ACE study, released Wednesday, finds the percentage of undergraduates completing FAFSA actually rose from 50 percent to 59 percent over the four-year period it studied, and the total number of applications increased by nearly 3 million, to 11.1 million.

But the number of low-income students who did not file rose from 1.7 million to 1.8 million, or 28 percent of low-income students. And that was a time when the government expanded the Pell program, so ACE estimates 1.5 million people who failed to apply would have received grants — a figure that represents only students who still managed to enroll somewhere. It doesn't include people who never made it to college at all, and might have done so with aid.

To read the article, visit

<http://www.chron.com/disp/story.mpl/ap/nation/3652546.html>



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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.

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