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Tip^{of} the Week

Relax, Recharge, and Retool at the 2006 TG Annual Conference to be held April 18 – 20 in Austin, Texas. To learn more and to register, visit *TG Online* at www.tgslc.org/tgconference/index.cfm

Federal updates

Update on recent activity concerning the PLUS Loan Program

Of all the issues to come out of the Higher Education Reconciliation Act of 2005 (see *Shoptalk Online* [Edition 341](#) for more information on provisions of the bill signed by President Bush on February 8), the most urgent for the student loan industry is the expansion of the PLUS Loan Program to graduate and professional students.

Effective July 1, 2006, graduate and professional students will be allowed to borrow under the PLUS Loan Program, up to the cost of attendance minus estimated financial assistance. Graduate and professional students will be subject to credit-worthiness standards and repayment requirements, just as parent borrowers are. Graduate and professional students will be able to obtain in-school deferments on their PLUS loans while attending at least half time.

There are many activities taking place in the frenzy to prepare for the introduction of this new aspect of this program. This article attempts to provide TG's business partners with a "status check" on each of these activities.

Triggering event for implementation

So we know that graduate and professional students will be allowed to borrow under the PLUS Loan Program effective July 1, 2006, but what does that mean? Does it mean for "Loan periods on or after July 1, 2006," "Loans certified on or after July 1, 2006," "Loans disbursed on or after July 1, 2006," or something else? As of today, ED has not released an official "triggering event" for when loans can be made to graduate and professional students under the PLUS Loan Program. Since before the passage of the bill, the National Council of Higher Education Loan Programs (NCHERP) has been gathering suggested triggering events from the industry on this and other provisions of the Higher Education Reconciliation Act of 2005 to submit to ED, and TG is participating in this effort. NCHERP hopes that ED will consider these suggestions as ED drafts a Dear Colleague Letter that the industry expects "soon" (possibly within the next 2 to 3 weeks) that should contain the official triggering events for provisions of the Act.

PLUS MPN

The FFELP loan industry is currently in the process of drafting suggested changes to the PLUS Loan Application and Master Promissory Note (PLUS MPN), which expired January 31, 2006. ED is extending the form (as well as the Stafford MPN) for two years while working on changes due to the Higher Education Reconciliation Act of 2005. However, these forms may be released sooner than the end of this two-year extension, as the industry is diligently working to make them available as soon as possible. In the meantime, FFELP loan participants are encouraged not to destroy existing forms (even those with an expired date are still valid).

Since a revised PLUS MPN will not be available for the implementation of the PLUS Loan Program for graduate and professional students, the FFELP industry is also working with ED on a FFELP loan addendum, that will have information pertaining to the provisions of the Higher Education Reconciliation Act of 2005. Once the addendum is approved by ED, it will be made available for FFELP loan participants to distribute with the promissory notes for each loan program. Therefore, graduate and professional students borrowing a PLUS loan will be provided with the current PLUS MPN and the ED-approved addendum.

Plain Language Disclosure

The FFELP loan industry is also in the process of updating the Plain Language Disclosure (PLD) that the lender must provide to borrowers who are borrowing subsequent loans under an MPN (although some lenders distribute the PLD as part of their disclosure statements for first loans borrowed under an MPN). The industry is working with ED to make sure that there is no conflicting information between the PLD and the addendum that is currently in development.

TG internal activities

TG is working fervently to make sure that its systems and proprietary forms, brochures, Web sites, and other resources are updated to accommodate the upcoming implementation of the PLUS Loan Program for graduate and professional students. In alignment with that activity, TG is revising its MPN wraps and notice of guarantee (NOG) statements (which some of our lender partners use as the initial disclosure statement to the borrower). TG's goal is to make the transition into this new aspect of the program as seamless as possible for our borrower, school, and lender customers.

More information

For more information regarding the industry's or TG's activities in preparing for the availability of PLUS loans to graduate and professional students, call TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgsllc.org.

TG updates

***Because We Care* Day celebrated at Texas A&M**

TG joined Texas A&M University (TAMU) on February 14 to host *Because We Care* Day in the school's financial aid office. More than 70 members of the TAMU financial aid team gathered to kick off the financial aid season and to celebrate its role in



TG Texas senior account executive, Anne Walker, (r) visits with TAMU assistant director of loans in financial aid, Bridgette Ingram, during *Because We Care* Day.

helping students succeed. TG helped out by supplying the staff with office supplies, *Because We Care* buttons, and other items.

The TAMU financial aid office wanted to have a little bit of fun during financial aid month, so the staff designated Valentine's Day as "Red Day." Bridgette Ingram, TAMU assistant director of loans in financial aid, said she and her staff then realized that TG's *Because We Care* campaign would fit in perfectly with what they wanted to accomplish.

"We wanted to show our students that we really care about them, that we provide great customer service and want to help them."

TG Texas senior account executive, Anne Walker, attended the festivities and noted how enthusiastic the TAMU financial aid staff is about helping its students finance their educations.

"It's not hard to get the staff at Texas A&M to wear red or maroon," she said. "But what impressed me the most was that everyone had their *Because We Care* buttons on and were very excited. It's obvious that this team cares about what they do and how they take care of their students.

"It was a pleasure to be able to show them that TG, in turn, cares about what they do and about their students by supporting their event."

Bridgette said *Because We Care* Day was a success for her office and for its students.

"It went really well. We have a lot of new people in the office, and we showed them that we work as a team and we work in a stressful environment, but we can have fun too."

Learn more

Do you want to hold a *Because We Care* Day at your school? Contact your TG account executive at (800) 252-9743 to find out how.

First Financial Aid Leadership Symposium a success

TG's first ever Financial Aid Leadership Symposium was a hit with a cohort of 16 participating in the week-long training event held February 6 – 10 at TG's campus in Round Rock, Texas.



Tom Rebstock, TG customer training team leader, facilitates a group discussion during TG's first Financial Aid Leadership Symposium.

The Symposium was designed to contribute to the career growth and leadership excellence of financial aid professionals. Participants attended a variety of training sessions and roundtable discussions focusing on team building, customer service, performance coaching, vision, and synergy, along with further instruction on leadership, management, and office operations. The Symposium is unique because it is specifically designed to apply the building blocks of leadership skills within the context of postsecondary school financial aid offices.

The participants, who represented four key segments of higher education — four-year public and private universities, two-year colleges, and for-profit institutions, evaluated the training with an overall satisfaction rating of 4.93 on a five-point scale.

Tom Rebstock, TG's customer training team leader, said the Symposium was a great example of transformational learning.

“In all my years of conducting leadership training, I have never before had a class as driven and motivated to engage and share and learn as this cohort,” Tom said. “Knowledge and skills can be taught, but as this group demonstrated all week, intrinsic motivation to perform at a high level is priceless.”

The cohort has carried the spirit of the symposium back to their respective home schools, and has continued to interact by setting up an e-mail network to share best practices and provide feedback on issues that they all face.

AIE launches calculator feature for students, families

The *Adventures In Education* Web site (AIE) is now home to a Web-based Expected Family Contribution (EFC) Calculator to help families and students determine how much money they will be expected to contribute toward a student’s educational expenses.

The EFC Calculator provides an estimate of a family’s EFC, based on a series of questions they can answer on the AIE Web site, such as the number of people in the household, income earned from work, and tax filing status.

The calculator can be very useful for families who are unfamiliar with the financial aid process and want to get an idea of what lies ahead. Additionally, previous calculators found on AIE did not support all Web browsers. The new calculator has been improved to be much more user-friendly. In addition, TG uses the criteria and mathematical formulas set by ED each year, which makes the estimated EFC calculations provided by the AIE calculator very accurate.

Learn more

To access the EFC Calculator on AIE, visit www.aie.org/Calculators/EFC/index.cfm.

Question of the week

Q: Can you give some examples of problem areas for schools during a program review?

A: The following list provides some examples of common problems/liabilities for schools during a program review:

- Improper administration of admission requirements [concerning ability to benefit (ATB), high school diploma, and GED].
- Improper loan certification.
- Lack of eligibility documentation for eligible noncitizens.
- Missing Student Aid Reports (SARs)/Institutional Student Information Records (ISIRs) at time that FFELP loan was certified.
- Improper verification.

- Discrepancies with student budgets.
- Improper satisfactory academic progress (SAP) standards or enforcement.
- Discrepancies in student enrollment statuses.
- Improper NSLDS reporting.
- Entrance/exit counseling not conducted or documentation missing.
- Improper execution of return of Title IV funds requirements.
- Lack of adequate documentation in professional judgment decisions.

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>.

Trends and issues

Making the most of tax preferences in higher education

Each year, the federal government provides assistance to students and families to aid in meeting the rising costs of postsecondary education; much of this assistance is provided through Title IV student grant and loan programs authorized under the Higher Education Act of 1965 (HEA). While most Title IV programs are need-based and are used to pay for current postsecondary expenses, tax preferences — another type of assistance — are not need-based and are used to reimburse students and families who have paid educational expenses and to offset interest payments on federal student loans.

Unfortunately, many students and families overlook tax preferences or do not know how to take full advantage of them. According to a Government Accountability Office (GAO) study released last summer entitled *Student Aid and Postsecondary Tax Preferences*, many eligible taxpayers do not appear to be making the most effective use of certain tax preferences and, as a result, fail to appropriately minimize their federal income tax liabilities.

For example, the GAO study showed that in tax year (TY) 2002, 27 percent of eligible taxpayers did not claim either the Hope Credit or Lifetime Learning Credit, or Tuition and Fees Deduction. (For a description of each of these tax preferences, see the following section "What is a tax preference?") Consequently, these taxpayers failed to reduce their tax liabilities by an average of \$169; 10 percent of these individuals would have been eligible to reduce their tax liabilities by more than \$500. Additionally, among those taxpayers who claimed the Tuition and Fees

Deduction, 21 percent would have been better off claiming the Lifetime Learning Credit — saving an average of \$83; while 8 percent of those who claimed the Lifetime Learning Credit would have been better off claiming the Tuition and Fees Deduction — saving an average of \$138.

What is a tax preference?

A tax preference is claimed on an individual federal income tax return (Form 1040) and is a reduction of tax liability resulting from preferential provisions in the tax code, such as exemptions and exclusions from taxation, deductions, credits, deferrals, and preferential tax rates. Some of the most commonly claimed education tax preferences are the:

- Hope Credit,
- Lifetime Learning Credit,
- Tuition and Fees Deduction, and
- Student Loan Interest Deduction.

The Hope Credit and Lifetime Learning Credits are nonrefundable tax credits, which means that they directly reduce the tax filer’s tax liability, potentially to zero — with any remaining credit beyond zero not refundable to the tax filer. On the other hand, the Tuition and Fees Deduction and Student Loan Deduction are income deductions, which means that they reduce the amount of income subject to tax—indirectly reducing the tax filer’s tax liability.

Hope Credit and Lifetime Learning Credits

The Hope Credit is a \$1,500 education tax credit — calculated as the sum of 100 percent of the first \$1,000 and 50 percent of the second \$1,000 paid toward qualified higher education expenses paid for the taxpayer, taxpayer’s spouse, or taxpayer’s dependent during the tax year — that may be claimed per eligible student.

The Lifetime Learning Credit is a \$2,000 maximum education tax credit — calculated as 20 percent of the first \$10,000 of qualified higher education expenses paid for the taxpayer, taxpayer’s spouse, or taxpayer’s dependent during the tax year — per tax return, regardless of the number of eligible students claimed on the return.

The key eligibility differences between the Hope Credit and Lifetime Learning Credit are as follows:

Hope Credit	Lifetime Learning Credit
Available for only the first two years of postsecondary education.	Available for all years of postsecondary education and for

	courses to acquire or improve job skills.
Available for only two years per eligible student.	Available for an unlimited number of years.
Student must be pursuing an undergraduate degree or other recognized education credential.	Student does not need to be pursuing a degree or other recognized education credential.
Student must be enrolled at least half time for at least one academic period beginning during the year.	Available for one or more courses.
Student may not have a felony drug conviction on his or her record.	Felony drug conviction rule does not apply.

Qualified education expenses include costs paid to an institution as a condition of enrollment or attendance, such as:

- Tuition,
- Student-activity fees,
- Course-related books,
- Supplies, and
- Equipment.

Qualified education expenses do not include insurance, medical expenses (including student-health fees), room and board, transportation, and similar personal, living or family expenses — even if they must be paid to the institution as a condition of enrollment or attendance. In addition, tax-free educational assistance used to pay qualified education expenses may not be included as expenses paid by the tax-filer or student when claiming the Hope Credit. Tax-free educational assistance includes tax-free amounts of scholarships and fellowships, veterans' benefits, and Pell and other grant aid. Student loans are not considered tax-free educational assistance.

Tuition and Fees Deduction

The Tuition and Fees Deduction allows the taxpayer to deduct as much as \$4,000 from his or her taxable income for tuition and fees paid for an eligible student — the taxpayer, taxpayer's spouse, or taxpayer's dependent. An eligible student for

the Tuition and Fees Deduction is a student who holds a high school diploma or GED and is enrolled in one or more courses at an eligible institution.

The Tuition and Fees Deduction may not be claimed for tuition and fees applied towards either the Hope Credit or Lifetime Learning Credit during the same tax year. Additionally, taxpayers may not claim tuition and fees paid with tax-free educational assistance (as noted above, this does not include student loans).

Student Loan Interest Deduction

The Student Loan Interest Deduction allows the taxpayer to deduct up to \$2,500 from his or her taxable income for voluntary or required interest payments paid on qualified student loans.

Interest payments claimed by the taxpayer must have been paid on his or her qualified student loan or his or her spouse's qualified student loan. Unless the taxpayer is legally obligated to make interest payments on a dependent's qualified student loan, he or she may not claim interest payments made on the dependent's qualified student loan. Interest payments paid by a third party on a borrower's behalf may be claimed by the borrower if the borrower is eligible to claim his or her personal exemption.

More information

To help educate your students about tax preferences, you can refer them to TG's *Tax Benefits of Paying for College on TG Online* at www.tgslc.org/resources/tax.cfm. You can also refer them directly to IRS Publication 970 at www.irs.gov/pub/irs-pdf/p970.pdf.

To access the GAO study *Student Aid and Postsecondary Tax Preferences*, visit www.gao.gov/new.items/d05684.pdf.

This, that, and the other

A new twist on identity theft is making it even harder for students to score cash for courses. Crooks are stealing students' personal information to scam financial aid.

Natalie Forbort, who works for the U.S. Department of Education said identity theft is the fastest growing crime in the United States and federal student aid also is being impacted.

Forbort said while there are no hard numbers, thieves are bilking millions in aid. She said one reason for the growing problem is the Internet.

"There (are) more applications being done online. People are sharing information online that makes them vulnerable."

In some cases, universities don't even require students to show up to get their aid,

which makes it easier for identity thieves to take somebody's information and apply online. Research shows it takes an average of 14 months to uncover id theft.

Read the entire CBS 11 (Dallas) news story at
http://cbs11tv.com/topstories/local_story_048150403.html



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