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Tip^{of} the Week

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Federal updates

ED releases guidance on return of Title IV funds for schools affected by Hurricanes Katrina and Rita

Last week, ED released two identical electronic announcements regarding the return of Title IV funds — one applicable to schools affected by Hurricane Katrina, and the other applicable to schools affected by Hurricane Rita. The Katrina announcement (#12 in the series) is available at <http://ifap.ed.gov/eannouncements/0223HurricaneKatrina12.html>; the Rita announcement (#9 in the series) is available at <http://ifap.ed.gov/eannouncements/0223HurricaneRita9.html>.

The Secretary of Education (Secretary) has waived the requirement that “hurricane-impacted institutions” return Title IV funds for students who, due to the impact of a Gulf hurricane, either withdrew from attendance or never began attendance; for the purpose of this guidance, a “hurricane-impacted institution” is a school whose main campus ceased on-campus operations for more than 30 days due to Hurricane Katrina or Rita. ED has identified the schools affected by this waiver and will be assisting them with implementation of this waiver. If a school has not been contacted, but believes it qualifies for the waiver, the school should contact ED at the phone number or e-mail address provided in the announcements.

This waiver is permitted under Section 202(a) of the Higher Education Hurricane Relief Act of 2005 (see *Shoptalk Online* [Edition 337](#) for more information about the Act, which was included in H.R. 2863, the Defense Appropriations Act of 2006). The Act allows the Secretary to “waive or modify any statutory or regulatory provision applicable to the student financial assistance programs under Title IV of the Higher Education Act of 1965...or any student or institutional eligibility provision in the HEA, as the Secretary deems necessary in connection with a Gulf hurricane disaster.”

More information

For more information about these electronic announcements, call TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

TG gathers top five most frequently asked questions about the Higher Education Reconciliation Act

Since the Higher Education Reconciliation Act of 2005 (HERA) was signed into law on February 8, 2006, the financial aid industry has been abuzz with questions about the provisions of the HERA. Unfortunately, several of the questions do not yet have answers, and the industry has high hopes that a forthcoming Dear Colleague Letter from ED will provide information about triggering events and other elements of several of the provisions.

There are many questions that do have answers, however, and TG has, thus far, been asked five questions more frequently than others. TG has gathered these questions (and their answers) here in the hopes that if you, too, are pondering these questions, these answers will leave you with less that you have to ponder as you prepare to implement the changes brought about by the HERA.

The top five questions are:

5. Does the origination fee elimination that is being implemented incrementally beginning July 1, 2006, and ending July 1, 2010, mean that a lender will still have to pay the full 3 percent origination fee to ED but charge the borrower less and less over time until the lender is paying the full fee on the borrower’s behalf?

First, we should note that a lender is not required to pay any of a borrower's origination fee, but some lenders are currently paying all or a portion of their borrowers' origination fees based on their business philosophy or social mission. For a lender that is doing this, and continues to do so as the origination fee decreases, the lender will pay ED less and less on behalf of their borrowers until the origination fee goes to zero. For a lender that is not doing this, the lender will charge the borrower less and less and, as a result, will have to pay ED less and less until the origination fee goes to zero.

4. When do the higher Stafford loan annual limits go into effect?

The higher annual limits for first- and second-year undergraduate students, students pursuing preparatory coursework to gain admittance into a graduate or professional program or pursuing a teacher certification, and graduate students, go into effect next year on July 1, 2007.

3. If a school has cohort default rates for each of the three most recent fiscal years (for which data are available) that are less than 10 percent, when can that school take advantage of the newly reinstated provisions in the HERA that exempt such a school from having to comply with the multiple disbursement and 30-day delayed disbursement rules?

Those particular provisions in the HERA became effective upon the signing of the HERA, which was February 8, 2006. Therefore, eligible schools can take advantage of this exemption as of that date.

2. Does the change in the Stafford loan interest rate to a fixed 6.8 percent and the PLUS loan interest rate to a fixed 8.5 percent that becomes effective July 1, 2006, apply to existing loans? In other words, will a pre-July 1, 2006, Stafford loan with a current variable interest rate of 4.7 percent convert to a fixed 6.8 percent fixed interest rate this July 1?

The interest rate change under the Stafford and PLUS Loan Programs does not apply to pre-July 1, 2006, loans. It applies only to new loans on or after July 1, 2006. A Stafford loan made on or after July 1, 1998, but before July 1, 2006, with a current variable interest rate of 4.7 percent will, come this July 1, have a new variable interest rate for in-school and deferment periods that is calculated by adding 1.7 percent to the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction before the preceding June 1. During periods when the loan is in a repayment or forbearance status, the interest rate is calculated by adding 2.3 percent to the 91-day Treasury bill rate. According to estimates based on current national interest rates, such a loan's variable interest rate would, on July 1, 2006, increase to 6.2 percent while the borrower is an in-school, grace, or deferment status, and 6.8 percent when the borrower is in a repayment or forbearance status. For more information on how the fixed rate and variable rate will compare this July 1, see www.tgslc.org/shoptalk/2006/st344/st34401.cfm#costs.

And the number one question pertaining to the HERA so far...

1. Does the expansion of the PLUS Loan Program to graduate and professional students mean that graduate students will be able to borrow PLUS loans to finance their own educations or that parents of graduate students will be able to borrow PLUS loans to finance their children's educations?

The PLUS Loan Program has been expanded to allow graduate and professional students to borrow PLUS loans to finance their own educations. A graduate student will be able to borrow a PLUS loan up to the cost of attendance minus any estimated financial assistance that the student is expecting to receive for the loan period.

More information

For more information on these and other provisions of the HERA, call TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

Students' costs may be manageable even with passage of the Higher Education Reconciliation Act

On February 8, 2006, the president signed the Higher Education Reconciliation Act of 2005 (HERA) into law. Included in the legislation are two student loan interest rate changes that have been reported as dramatically increasing the cost of federal student loans to borrowers.

To get a better picture of how these changes will affect individual student loan borrowers, TG conducted a preliminary analysis of the impact on TG FFELP borrowers.

"We wanted to examine the actual impact of this one policy change because of its potential impact to students and families," said George Torres, TG assistant vice president for congressional and legislative relations. "However, we certainly are not meaning to increase or diminish the impact of the policy choice of reducing borrower benefits as a method to control the cost of entitlement programs."

Stafford loan interest rate

The first "change" that TG examined was actually placed in the Higher Education Act in 2001. Congress chose to leave this scheduled change in place in the HERA. In effect, for new Stafford loans on or after July 1, 2006, the Stafford loan interest rate will be a fixed 6.8 percent for the life of the loan. This differs from the current variable interest rate (indexed from the 91-day Treasury bill rate plus 1.7 percent while the borrower is in an in-school, grace, or deferment status, and 2.3 percent when the borrower is in a repayment or forbearance status), which is applicable to loans made on or after July 1, 1998, but before July 1, 2006.

Over the past few years, the Treasury bill rates have been at record lows, resulting in extremely low interest rates on Stafford loans. For the period of July 1, 2005,

through June 30, 2006, the rate on these loans is 4.7 percent while a borrower is in and in-school, grace, or deferment status, and 5.3 percent when the borrower is in a repayment or forbearance status.

However, Treasury bill interest rates have been going up since July 1, 2005. According to the CBO estimates, if the current rules remained in effect, and the Stafford loan interest rate stayed variable, it would increase to 6.2 percent while the borrower is in an in-school, grace, or deferment status, and 6.8 percent when the borrower is in a repayment or forbearance status, on July 1, 2006. Also, this rate could continue to increase in future years up to the statutory cap of 8.25 percent.

The main difference between the old and new rules for student borrowers is the amount of interest that is capitalized into their loan value while the students are in school. Under the old rules, this rate would be 6.2 percent during 2007, while it will be 6.8 percent under the new rules. For a student who enters a bachelor's degree program in the fall of 2006 and borrows the aggregate limit of Stafford loan funds (all unsubsidized) over a five-year period (for a total of \$23,000), this will result in \$436 dollars of additional debt when the student enters repayment. This translates into a \$5 per month increase in loan payments (from \$255 to \$260 month) and a total cost of \$602 over the life of a 10-year loan.

PLUS loan interest rate

The second interest rate change contained in the bill applies to PLUS loans (loans taken out by parents on behalf of their dependent undergraduate children, and, effective July 1, 2006, available to graduate students to finance their own education). Under the current rules, this rate would have been fixed at 7.9 percent beginning July 1, 2006. With the enactment of the HERA, this rate changes to 8.5 percent. This translates into an additional cost of \$382 for every \$10,000 that a borrower takes out under the PLUS Loan Program.

"It's important to note that while there may be some additional cost, funds are still available," said Torres. "The possible increase in cost should not act as a barrier to students enrolling in higher education."

More information

TG's public service Web site, *Adventures in Education* (www.aie.org), provides a loan repayment calculator that can help borrowers determine how their payments may be affected by the interest rate changes on July 1. In addition, you can direct your student loan borrowers to TG customer assistance at (800) 845-6267 or cust.assist@tgsllc.org for answers to specific questions about planning and paying for college.

TG updates

TG names Gregory Mackey, June Perry as new account executives

Greg Mackey and June Perry have joined TG's relationship management and consulting team as account executives.



Greg Mackey, TG regional account executive

Greg will serve as a regional account executive in South Florida and Puerto Rico, and June will serve as a Texas account executive in the Dallas area.

Greg has more than five years experience in higher education and financial aid. Prior to joining TG, he worked as a business analyst, student loan coordinator, and graduate and athletic scholarship coordinator at Florida International University in Miami.

Greg holds a master's degree in public administration and BBAs in finance and management information systems, all from Florida International University.



June Perry, TG Texas Account Representative

June has more than 12 years of financial aid experience and a wealth of knowledge about financial aid programs, including student loans, and has first-hand experience as a user of TG's products and services.

June most recently served as the associate director of financial aid at the University of Texas Southwestern Medical Center at Dallas. She began her career at UTSMC – Dallas in 1993 as an administrative technician in the Office of the Registrar. She then went on to serve as a financial aid counselor and assistant director of financial aid.

June holds a BBA in management and finance from the University of Texas at Arlington.

"We are very excited to have both Gregory and June join TG with their wealth of industry knowledge and the solid relationships they have built with customers in their respective regions," said Margie Harvey, assistant vice president of relationship management and consulting. "Their expertise will be an asset to TG's customers."

More information

Gregory can be reached at (800) 252-9743, ext. 2507, or by e-mail at gregory.mackey@tgsic.org.

June can be reached at (800) 252-9743, ext. 4629, or by e-mail at june.perry@tgslc.org.

Register for TG's free telephone conference "A Conversation about Distance Education"

TG invites you to listen in as we hold "A Conversation about Distance Education." The free telephone conference, which will be held Thursday, March 9, from 2 p.m. to 3 p.m. (CST), will look closely at the growing trend of distance education as a way to deliver postsecondary education.

During the telephone conference, Sam Wilson, TG assistant vice president of customer assistance, and Kelly Kaelin, TG senior policy advisor, will:

- Discuss a recent report from the Sloan Foundation and other data regarding the growth of distance education.
- Give a synopsis of the change to the fifty-percent rules in the Higher Education Act that became effective with the recent passage of the Higher Education Reconciliation Act (S. 1932). This change will now open up federal student aid (Title IV) eligibility to many schools that provide their programs mostly or entirely through telecommunications.
- Provide a brief overview of how newly eligible postsecondary schools may apply to participate in the federal student aid (Title IV) programs.

Telephone conference participants may submit questions in advance of the event to viola.perez@tgslc.org.

How to participate

Pre-registration is not required. To participate in the event, this is what you will need to do:

1. On the day of the event, and up to 10 minutes before the call begins, call AT&T Teleconferencing at (888) 423-3269.
2. An AT&T Teleconferencing operator will answer your call.
3. Indicate that you wish to join the teleconference using any of the following:
 - Confirmation number 820745
 - The TG Teleconference, or
 - The *Conversation About Distance Education* teleconference.

The operator will ask you for your name, institution, and telephone number, and then connect you to the call.

More information

For more information about the event, visit www.tgslc.org/custfocus/teleconf.cfm, call Viola Perez at (800) 252-9743, ext. 4507, or send an e-mail message to viola.perez@tgslc.org.

***TG Online* search engine gets an upgrade**

TG recently invested in retooling a key component of its Web site, the search engine. "Over the years as our customers' needs have evolved, we've stepped up to the challenge of adapting and exceeding their expectations," said Art Martinez, Web site content director for *TG Online*. "Frankly, in this case we simply outgrew our existing search technology."

The *TG Online* Web site is the central hub for TG's partners and borrowers looking for information or assistance, as well as for families and students researching financial aid options. The new search makes finding relevant information even easier than before by providing fast responses, daily updates, a streamlined format, and more targeted results.

The upgraded search engine is extremely quick, capable of answering over 1,000 queries per minute. Site visitors will also find the very latest information available every morning thanks to an aggressive "re-indexing" process that automatically detects any change to the TG Web site and responds accordingly. "Speed and timeliness are critical," said Martinez, "especially when you're talking about a site as comprehensive as ours."

Additionally, improvements in format and accuracy make the new search easier to use. The new results list is organized in a more intuitive way, showing page title, page link, description, file size, and date, and a sophisticated "relevance ranking algorithm" pushes the best choices up to the top of the list.

"We hope our customers and families will find the new search to be both fast and friendly," said Martinez.

Learn more

To access the new *TG Online* search engine, visit www.tgslc.org/search/index.cfm.

Reporting Back: 1983



TG's 1983 Annual Report, issued in October of 1983, chronicled an exceptional period of growth and achievement for the corporation. Here are some excerpts from that year's report:

"In these past 15 months TGSLC has (1) established a permanent corporate headquarters, (2) more than doubled its cumulative loan volume, (3) moved to provide unique services to our publics, (4) strengthened its financial position, and, most of all, (5) made higher education a reality for thousands of students. . . .

"Loan access is an issue of receiving needed funds *and* receiving them when they are needed. Despite significant increases in loan volume, the Corporation continued to consistently process loan applications in a week or less of their receipt. Thanks to such rapid processing, students not only receive loans but receive them on a timely basis. . . .

"Late in the year, TGSLC relocated to its new headquarters at 1609 Centre Creek Drive in Austin. This new building, offering 50,000 square feet of space in two stories, will accommodate corporate growth for the foreseeable future. Owned by TGSLC, it will provide stable and self-controlled facility costs in years to come."



Question of the week

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

A: The following list provides some common problem areas for lenders during a program review:

- Incorrect interest rates.
- Improper tracking of unconsummated disbursement checks.
- Incorrect Master Promissory Note (MPN) tracking date.
- Incorrect out-of-school date.
- Improper NSLDS reporting.
- Late conversion to repayment.
- Incorrect application of payments.
- Late submission of the Default Aversion Assistance Request (DAAR).
- Failure to notify guarantor of paid-in-full status of underlying loans that were paid by consolidation.

- Deferment or forbearance granted improperly.
- Improper due diligence performed.
- Missing Lender Verification Certificates (LVCs).
- Failure to complete LVCs.
- Errors on [Lender's Interest and Special Allowance Request and Report \(LaRS\)](#).
- Borrower not notified of loan sale.

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>.

Legislative update

The February 24 issue of TG's *Legislative Report* includes a Congressional Update on FY 2007 Budget Priorities and Policy Choices. 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

Some college graduates are choosing to work abroad to gain professional and life experience before securing a job here, reports *The New York Times* in a February 25 article.

It was a few months before she was to graduate from Colgate University in 2002, but Lauren DiCioccio was not ready for the briefcase or the Brooks Brothers look.

Armed with a bachelor's degree in art and art history, she did what an increasing number of college graduates are doing: she bought a plane ticket to a country she had never visited, backpacked around the region, got a job in that country and then traveled some more.

According to one estimate, 35,000 young Americans realize that working abroad, whether teaching, bartending, taking care of children, typing, or picking grapes, has moved well beyond just trust-fund children. Far from being career suicide, it can actually provide a professional boost.

To read the article in its entirety, visit

www.nytimes.com/2006/02/25/business/worldbusiness/25abroad.html?pagewanted=all



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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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