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## Tip of the Week

Struggling with cohort default rates? TG's default prevention consultants can help design an effective plan just for you. To learn more, contact your TG account executive, or call our default prevention team at (800) 252-9743, ext. 4765 or ext. 4696.

## Federal updates

### S. 1932 brings big changes to the R2T4 provisions

Amid the overshadowing news of new merit-based grant programs and interest rate changes authorized by the Higher Education Reconciliation Act of 2005 (S.1932), some schools may not have had much time to become acquainted with the significant changes that the legislation has made to the return of Title IV funds (R2T4) provisions. This article outlines those changes, which all take effect July 1, 2006.

#### Changes to the grant overpayment portion of the calculation

Currently, the R2T4 calculation requires a student to return 50 percent of his or her Title IV grant overpayment amount of \$25 or more. As an example, this current method results in the following calculation:

A student receives a \$1,000 Pell grant, and, upon the student's withdrawal, the school performs the R2T4 calculation and determines that the student has earned \$250 of his grant, yielding a return amount of \$750. The school determines that its portion is \$300 and the student's portion is \$450.

Per the current R2T4 calculation, the student's portion is reduced by 50 percent, leaving an overpayment due from the student of \$225.

Under the revised law, a student will be required to return grant funds only if the student's overpayment amount exceeds 50 percent of the total grant assistance received and the grant overpayment amount is \$50 or more. Under the revised law, the example above would have a much different outcome:

A student withdraws after receiving a \$1000 Pell grant, resulting in a return amount of \$750. The school's portion is \$300, and the student's portion is \$450; however, since \$450 does not exceed 50 percent of the total grant assistance the student received (\$1,000), the student does not owe a grant overpayment.

This change benefits students, as many will no longer be required to repay any grant funds upon withdrawal.

### **Change to the school's timeframe to return funds to the Title IV programs**

Under the current law, when a school performs an R2T4 calculation, the school has 30 days to return to the Title IV programs any unearned Title IV funds for which the school is responsible. Under the recent changes to the Higher Education Act brought about by S. 1932, the school now has 45 days to return any unearned Title IV funds for which the school is responsible as a result of an R2T4 calculation. This will provide schools with considerable administrative relief when handling R2T4 situations.

### **Clarification of the school's responsibilities in contacting the student about a post-withdrawal disbursement**

S. 1932 amends the law — which currently states that “the institution of higher education shall comply with the procedures for late disbursement specified by the Secretary in regulations” — to provide more specific instructions for releasing a post-withdrawal disbursement. The revised language states that before releasing a post-withdrawal disbursement, a school must contact the borrower to confirm that the loan funds are still needed and to explain the borrower's obligation to repay the loan. After contacting the borrower, the school must document the result of the contact in the borrower's records.

### **Withdrawal date for clock-hour programs revised**

The calculation for determining the withdrawal date for clock-hour programs has been revised. Currently, a school determines the percentage of the period of enrollment that the student completed by dividing the total clock hours in the period of enrollment into the clock hours that the student completed as of the date of withdrawal. In some cases, the school may use the clock hours that the student was scheduled to have completed as of the date of withdrawal instead of completed hours. S. 1932 amends this provision so that the school always uses the scheduled hours in the numerator of this calculation.

## **Student may take “one or more leaves of absence”**

Currently, a student may take only one leave of absence, of no more than 180 days in a 12-month period, without being considered withdrawn. S. 1932 adds language that will allow a student to take “one or more” leaves of absence within the same time period and will still be considered enrolled for federal student aid purposes.

### **More information**

For more information about these and other changes brought about by S. 1932, 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 issues guidance for discharge and return of Title IV aid disbursed at schools affected by recent Gulf hurricanes**

On Friday, March 3, ED shared guidance with the National Council of Higher Education Loan Programs (NCHELP) with detailed instructions for the handling of Title IV aid disbursements made to students who were scheduled to attend schools affected by Hurricane Katrina and Hurricane Rita. The letter includes instructions for lenders and guarantors in the treatment of FFELP loans and a list of thirty-three schools ED has designated as “affected.” The letter also includes instructions for schools regarding the treatment of FFELP, Direct, and Perkins loans, as well as FSEOG and Pell grants, for an academic period that was delayed, cancelled, or interrupted due to a Gulf hurricane. Finally, ED has provided templates and sample worksheets for schools to use in reporting their discharge requests: the Aid Discharge Manifest (ADM) and Aid Discharge Summary (ADS).

### **Instructions for lenders and guarantors**

An affected school will process fall 2005 FFELP disbursements in one of two ways:

- Discharge: the school will submit an ADM to request the discharge of disbursements for most students who did not return to the affected school; and for students who returned to an affected school and subsequently received any Title IV assistance at another school. Only disbursements issued prior to September 3, 2005 (for Hurricane Katrina affected schools) or September 30, 2005 (for Hurricane Rita affected schools) will be eligible for discharge. In processing these discharge requests, lenders and guarantors will use normal discharge procedures to receive 100 percent insurance and re-insurance from ED, respectively.
- Return: the school will return funds to the lender using normal return processes (no ADM) for disbursements for students who returned to an affected school and did not receive any Title IV aid at another school in fall 2005; and also for loan proceeds for non-returning students disbursed after September 3, 2005 (for Hurricane Katrina) or September 30, 2005 (for Hurricane Rita). In processing the returned funds, the lender may treat the funds as a school refund or a loan cancellation.

In either instance, the lender must eliminate all of the borrower's repayment obligations, including the loan principal, any interest that may have accrued, and any fees that may have been posted to the account. The lender may remain eligible for interest subsidies on subsidized Stafford loans from time of the original disbursement until the school returns the disbursement.

### **Instructions for schools**

ED has provided information for schools in processing funds for students who return to their home school, depending on whether or not they received aid in fall 2005 from the host school; and for students who do not return to the home school. Also included are procedures for completing and submitting the ADM and ADS Worksheet and for using the NSLDS to determine if a student received aid at the host school.

### **Reporting procedures, liability, and record retention**

The letter establishes an April 15, 2006, deadline for schools to return funds and submit ADMs and ADS Worksheets. It also includes instructions for reporting discharges, cancellations, and school refunds for guaranty agencies (GAFR), lenders (LARS), and schools (NSLDS). ED emphasizes that lenders and guarantors must be diligent in ensuring that ADMs received from schools represent only eligible borrowers and loans, and must question or reject any school submissions that appear to be erroneous. Lenders, servicers, and guarantors must retain all documentation received from schools; schools are required to retain copies of ADMs for FSEOG and Perkins discharges, as well as documentation supporting all discharge requests (such as proof of a loan disbursement and the date of that disbursement).

### **More information**

To access the guidance received by NCHELP, go to <http://www.tgslc.org/pdf/dearpartner030306.pdf>. For more information about the guidance in this Dear Partner Letter, call TG customer assistance at (800) 845-6267 or send an e-mail message to [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

## **TG updates**

### **Reminder: Participate in TG teleconference on distance education**

Don't forget to attend the upcoming TG telephone conference — *A Conversation about Distance Education* — which will be held Thursday, March 9, from 2 p.m. to 3 p.m. CST.

The free telephone conference will address the growth of distance education and the recent changes to the 50-percent rules in the Higher Education Act, and provide

an overview of how newly eligible schools may apply to participate in the federal student aid (Title IV) programs.

To attend, follow these steps:

- On the day of the event, and up to 10 minutes before the call begins, call AT&T Teleconferencing at (888) 423-3269.
- An AT&T Teleconferencing operator will answer your call.
- Indicate that you wish to join the teleconference by using any of the following:
  - Confirmation number 820745
  - The TG telephone conference, or
  - The *Conversation about Distance Education* telephone conference name.
  - The operator will ask you for your name, institution, and telephone number, and then connect you to the call.

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

## **TG implements e-mail encryption system**

TG has long been committed to protecting our customers' and borrowers' non-public personal information (NPI). In addition to TG's secure Internet and Web-based environments, TG has implemented e-mail encryption software to protect NPI sent via e-mail.

TG has begun rolling out e-mail encryption technology to targeted business partners. We will work toward a broader rollout on an ongoing basis.

The e-mail encryption software is capable of identifying and encrypting e-mail messages sent to customers from TG that contain NPI. Protected information may include, but is not limited to, Social Security numbers and account numbers. Encrypting electronic messages that contain NPI will provide our customers with an additional level of privacy protection.

Securing the transmission of electronic messages that contain sensitive information also assists TG in maintaining compliance with various state and federal laws, including the Gramm-Leach-Bliley Act.

### **More information**

For more information regarding e-mail encryption and its use at TG, visit *TG Online* at [www.tgslc.org/resources/securemail.cfm](http://www.tgslc.org/resources/securemail.cfm). You may also 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:** If a school wants to cancel the full amount of one disbursement of a loan that has multiple disbursements, should it request a full or partial cancellation?

**A:** The school should request a full cancellation of the disbursement. The designations "full" and "partial" pertain to each disbursement, not to the loan as a whole. A partial cancellation should be requested only when the school wishes to cancel a portion of a disbursement.

### 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>.

## Common Manual

### Common Manual updates

On February 16, 2006, guarantor representatives who serve on the *Common Manual* Governing Board approved several changes to the *Common Manual*. Details on these changes and a newly updated Integrated *Common Manual* incorporating the changes are now available online at [www.tgslc.org/resources/integrated\\_online\\_manual.cfm](http://www.tgslc.org/resources/integrated_online_manual.cfm).

### Taxpayer Relief Act Reporting Requirements

The *Common Manual* has been updated to align figure 13-1 with the revised Claim Form that is being distributed by the Default Aversion and Claims Standardization (DACS) Subcommittee of NCHelp's Program Operations Committee. A new field has been added to the Claim Form to capture the amount of unpaid origination fee and unpaid capitalized interest that are included in the principal balance on the date the claim is filed. These amounts will be reported separately in field 20b of the Claim Form. This information is required for loans first disbursed on or after September 1, 2004, to fulfill reporting requirements in Internal Revenue Service regulations.

**Affected Sections:** Figure 13-1

**Effective Date:** Claims filed by the lender on or after January 1, 2006, for loans first disbursed on or after September 1, 2004.

**Basis:** Final rules published under Section 221 of Internal Revenue Code and amendments to the final regulations under section 6050S of the Code relating to the information requirements for interest payments received on qualified education loans, published in the May 7, 2004, *Federal Register*, Volume 69, No. 89, pages 25489-25499.

**Policy Information:** 850/Batch 127

**Guarantor Comments:** None.

### **Required Information on Common Claim Form**

Figure 13-1 is revised to add a new required field for disability claims to capture the total amount of payments made on behalf of the borrower after the date the borrower became unable to work or earn money. New fields have been added for the PLUS student's last known complete address and the PLUS student's home telephone number. Several new fields have been added for the validity of information being requested. Also, some of the "If Available" fields have been changed to "Required" fields. Further, technical edits have been made to correct the terms "reinsured" and "unreinsured" to "insured" and "uninsured," respectively. Finally, several item descriptions were changed slightly for clarity and consistency.

**Affected Sections:** Figure 13-1

**Effective Date:** Claims first filed by the lender on or after January 1, 2006.

**Basis:** None.

**Policy Information:** 851/Batch 127

**Guarantor Comments:** None.

### **Processing Closed School and False Certification Loan Discharge Applications**

Subsections 13.8.B and 13.8.D of the *Common Manual* have been revised to align more closely with similar processing requirements for closed school and false certification loan discharge applications. Language has been added to the closed school subsection that states that the lender may capitalize unpaid interest that accrues during the forbearance period and that a borrower's request for discharge may not be denied solely due to the borrower's failure to return the completed loan discharge application within 60 days. In addition, language has been added to clarify that if the lender receives a completed loan discharge application from the borrower at a later date, the lender must process the loan discharge application and, if the borrower appears to qualify for the loan discharge, file a claim with the guarantor.

Language has been added to the false certification subsection to clarify that the lender is deemed to have exercised forbearance on the loan(s) beginning on the date on which the lender suspended collection activity, if a borrower fails to submit a completed loan discharge application within 60 days of being notified of that option.

**Affected Sections:** 13.8.B Closed School  
13.8.D False Certification

**Effective Date:** Retroactive to the implementation of the *Common Manual*.

**Basis:** §682.402(d) and (e)

**Policy Information:** 853/Batch 127

**Guarantor Comments:** None.

### **Processing Closed School Loan Discharge Applications**

The *Common Manual* has been revised to reinsert language in subsection 13.8.B that was inadvertently omitted during the restructuring of this subsection. The reinserted language states that on the same date that the guarantor pays a claim due to a closed school loan discharge, it will refund to the borrower all borrower payments made on the loan, minus any funds received from a third-party source. For an eligible loan that was previously paid in full by or on behalf of the borrower, the guarantor will notify the lender that the loan obligation is discharged and will refund to the borrower payments made on the loan, minus any funds received from a third-party source.

If borrower payment records are unavailable or incomplete at the time the lender files the claim, the guarantor will refund to the borrower the difference between the original loan principal and the principal balance outstanding with the lender. Any additional amounts not included in the claim payment may be paid later through a supplemental claim based on proof of borrower payments or supplemental documentation provided by the lender.

**Affected Sections:** 13.8.B Closed School

**Effective Date:** Retroactive to the implementation of the *Common Manual*.

**Basis:** None.

**Policy Information:** 854/Batch 127

**Guarantor Comments:** None.

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

A small group of selective colleges is turning its attention to what may be an untapped reservoir of capable, low-income students: the 6.5 million people who attend community colleges, reports the *Associated Press* in a March 6 article. Historically, these students have been ignored by elite colleges, which recruit mostly at high schools and often accept few or no transfers because they want to offer a distinctive four-year experience.

Though the number of schools amounts to a relative handful, the hope is that the variety and prestige of the schools involved will persuade others to take a chance on students who have started at two-year schools for financial or family reasons.

A 2005 Department of Education study found more than one-third of 12th graders in 1992 who went first to community college and earned more than 10 credits eventually transferred to a four-year college. But few go to the most selective

schools. On those campuses, typically only about one in 1,000 students transferred from a two-year school.

To read the article, visit

[www.cnn.com/2006/EDUCATION/03/06/colleges.poor.students.ap/index.html](http://www.cnn.com/2006/EDUCATION/03/06/colleges.poor.students.ap/index.html)



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