Shoptalk Online
May 2, 2006
Edition 354
TG

In this issue:

Tip of the Week

To assist our Spanish-speaking students and families, many of TG's brochures and other publications are available in Spanish. For more information, visit www.tgslc.org/spanish/index.cfm.

Federal updates

ED releases DCL to provide guidance on general HERA provisions

Last Friday, ED issued Dear Colleague Letter (DCL) GEN-06-05, providing details on certain (non-loan-related) provisions of the Higher Education Reconciliation Act of 2005 (HERA). This DCL comes on the heels of two other HERA-related DCLs released by ED in the last few weeks (GEN-06-02, which dealt with HERA provisions that affect the loan programs and GEN-06-04, which dealt with the two new grant programs, the Academic Competitiveness Grant and SMART Grant Programs). Topics discussed in the latest DCL include:

- Academic year
- Distance education
- Need analysis and cost of attendance
- Program eligibility
- Return of Title IV funds
- Student eligibility

Of particular interest

Some of the noteworthy nuggets of guidance in the DCL include the following:

- Regarding the HERA provision that allows a school to include in a student's cost of attendance the one-time cost of obtaining a first professional license or certificate, ED states that "The cost… must be incurred while the student is enrolled at the institution" and that "this provision does not include costs associated with preparing the student for the test or examination required for licensure or certification unless such preparation is part of the eligible program."
- Regarding the HERA provision that defines the term "qualified education benefit" as including Coverdell education savings accounts, prepaid tuition plans offered by a state, and qualified tuition programs (known as 529 prepaid tuition plans and 529 savings plans), ED states that "For dependent students, a qualified education benefit shall not be considered as an asset of the student; rather, a qualified education benefit would only be reported as an asset of the parent if the parent (including a step-parent) is the owner of the account or plan. Due to these changes made by the HERA, proceeds from 529 prepaid tuition plans are no longer a dollar-for-dollar offset against tuition; 529 prepaid tuition plans and 529 savings plans are both treated as an asset of the owner (as long as the owner is not a dependent student)."
- The DCL includes a handy chart detailing the new qualifications for certain categories of students (dependent, independent with no spouse and no dependents, independent with spouse and no dependents, independent with dependents other than a spouse) for the automatic zero EFC and the simplified needs test.
- The DCL clarifies that although the Higher Education Act (HEA), as modified by the HERA, allows ED to verify with the Internal Revenue Service (IRS) certain tax-related information provided on the FAFSA, this authority will not be implemented until such a data match with the IRS is authorized under the Internal Revenue Code.

More information and questions

To access GEN-06-05, go to www.ifap.ed.gov/dpcletters/GEN0605.html. For questions on the provisions covered in the DCL and other provisions of the HERA, contact TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

ED provides clarification on prior year charges

ED recently provided guidance to NASFAA on the definition of “prior award year” in the use of current year Title IV funds to pay minor prior year charges.

Generally, Title IV aid is to be used for payment of current year educational expenses; however, 34 CFR 668.164(d)(2)(ii) states that, provided the school has obtained written consent from the student (or parent, in the case of a PLUS loan), a school may use current year aid to pay prior year charges as long as the charges do not exceed $100 or the student’s ability to pay current charges is not affected. Federal regulations do not specify a limitation on the age of the debt; however, ED has communicated to NASFAA that for this purpose, the definition of “prior award year” means the immediate prior award year.

The *Federal Register* Preamble of September 21, 1995, provides a discussion of the reason for the regulation: it is meant to address situations in which a student “incurs a minor institutional charge late in a semester after the institution has released to the student all of his or her Title IV, HEA program funds” and is unable to pay those charges, resulting in the student being prevented from re-enrolling. ED provided the ability to use current aid for prior year charges to assist the student in continuing with his or her studies while also relieving the school of an “unnecessary administrative burden.”

More information

For questions about prior award year charges, contact TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

Closed school corner

Following is a list of newly reported school closures and error corrections from the Postsecondary Educational Participants System (PEPS) and from the April 2006 Closed School Monthly Report supplied by the Department of Education:

Newly reported closures

OPE School ID	School Name and Address	Unofficial Closure Date	ED’s Official Closure Date
02301900	**Allied Medical and Technical Institute** 201 Willowbrook Blvd. Wayne, NJ 07470-3017	N/A	4/7/2006

01021703	**International Academy of Design and Technology - Fairmont** 2000 Green River Dr. Fairmont, WV 26554-9790	N/A	3/24/2006
01003701	**Ivy Tech Community College of Indiana** 425 Commerce Dr. Richmond, IN 47374-1986	N/A	12/31/2005

TG updates

2006 TG Conference presentations now available online

Did some members of your staff miss the 2006 TG Conference last month? Was there a particular presentation that you would like to see again? If so, you now can view selected presentations from the 2006 TG Conference on *TG Online* at www.tgslc.org/resources/presentations.cfm.

Some PowerPoint® presentations delivered at the Conference are available through the TG Speakers Bureau or through TG's Positive+Balance™ financial literacy program. You can browse the TG Speakers Bureau offerings at www.tgslc.org/speakers/index.cfm and find out more about the Positive+Balance program at www.tgslc.org/balance/index.cfm.

The presentation documents are made available in "Read Only" format. If you are prompted for a password, please select the "Read Only" option to view the presentation.

More information

Please direct any questions about viewing the 2006 TG Conference presentations to Judith Cunningham at (800) 252-9743, ext. 2905, or by e-mail at judith.cunningham@tgslc.org.

TG Conference session on cash management inspires interesting questions

At the TG Annual Conference, *Caring for Our Generation and the Next*, TG offered a session on the cash management provisions titled *Caring for the cash: Cash management for schools*. That session, presented by Cynthia Mayberry, manager, Texas consulting, included great discussion by participants and generated several interesting and challenging policy questions. A few of those questions, as well as a couple of others that TG has received on the topic of cash management over the past few years, are answered below.

Q: Where should a school return funds when a check issued by the school that contains Title IV, or Federal Student Aid (FSA) funds is returned unnegotiated? Can the funds be considered unclaimed funds or must they be returned to the federal programs? Also, what good faith effort is required for it to be deemed an adequate effort to get the funds to the student or parent?

A: Per the 2005-06 *Federal Student Aid Handbook* (FSA Handbook), page 4-20, "In the case of unclaimed disbursements, your school must ensure that FSA funds do not escheat to the state or revert to the school or any other party. For instance, if a check containing FSA funds is not cashed by the expiration date, the FSA funds must be restored to the applicable FSA program(s). A school must have a process through which it identifies a credit balance that remains on a student's account beyond the payment deadline or is undelivered to the student (or parent, if applicable) and then returns those funds to the FSA programs on behalf of the student. The search for the student should end and the refund/return to the Department should be completed prior to the date the funds would otherwise escheat, but no later than a few days after a check to the student would cease to be negotiable (usually 180 days)." ED does not specify what constitutes a "good faith effort" for a school to attempt to locate a student or parent borrower, only at what point the search should end. Further information on the prohibition on the escheating of FSA funds is provided on pages 4-44 and 4-45 of the FSA Handbook.

Q: When PLUS loan funds that were received via electronic funds transfer (EFT) or master check are applied toward the student's institutional charges, must the school notify the student AND the borrower (parent), or does the school have the option to notify either the student OR the borrower?

A: The school must notify the borrower (parent) only (see the FSA Handbook, page 4-14, paragraph 3, which states that the notice is sent to the borrower) when it applies a PLUS loan disbursement received via EFT or master check to the student's account at the school. Such a notice must inform the parent borrower that he or she has the opportunity to cancel all or a portion of the disbursement within 14 days of the date the notice was sent, or by the first day of the payment period, if the notice is sent more than 14 days before the beginning of the period.

Q: On the PLUS MPN, is the authorization located in 19D of the form the authorization to provide any credit balance (i.e., funds left over after the loan disbursement has been applied toward the student's institutional charges) of PLUS loan funds to the student?

A: No. The authorization located in 19D of the PLUS MPN is the authorization by the parent to apply any PLUS loan proceeds that are received by the school via EFT or master check toward the student's school account (i.e., to pay for institutional charges such as tuition, fees, and room and board, if contracted with the school). The school must obtain a separate authorization from the parent borrower, per the FSA Handbook, page 4-19, "to transfer the proceeds of a PLUS loan to a student directly or to a bank account in the student's name."

Q: May a school send out a revised award letter to comply with the requirement that a school notify a student or parent borrower of the outcome of any disbursement reduction or cancellation request? Or must the school send a separate notification to detail the outcome of such a request?

A: While a separate notification to the borrower that provides the details of the reduction or cancellation of the disbursement is ideal, the school could use a revised award letter (which reflects the reduction or cancellation of the loan disbursement in the student's award amounts) to notify the student or parent borrower of the outcome of his or her request.

Q: Can a school apply PLUS loan funds to a student's account first to eliminate or at least reduce the opportunity for PLUS loan funds to create a credit balance? Can the PLUS loan funds be applied to the account before Pell and Stafford funds are?

A: Per the FSA Handbook, page 4-19, "[The school] has the latitude to determine which FSA program funds create an FSA credit balance. At this time, the Department does not specify how a school must determine which FSA program funds create an FSA credit balance, except to say that Direct Loan funds must be applied to unpaid institutional charges before they can be applied to other charges or disbursed to the student." In other words, keeping in mind the Direct Loan caveat, if the school decides to apply PLUS loan funds to a student's institutional charges before other FSA funds in order to avoid possibly having to obtain a parent borrower's authorization regarding what to do with any credit balance that may result from the PLUS loan, the school can do so.

More information and questions

For questions on these and other cash management issues, contact TG customer assistance at cust.assist@tgslc.org.

TG team members recognized at *Mapping Your Future*® annual conference

Mapping Your Future presented four TG team members with the *Mapping Your Future* annual Award of Excellence during its conference in Atlanta last week. The team members were honored for their participation in and support of the nonprofit organization.

A *Mapping Your Future* annual Award of Excellence was presented to the eight-member *Mapping Your Future* 2005 Team, which included Lloyd Dodge, TG senior vice president of technology, policy, and compliance; Cal Abbott, TG corporate business and financial analyst; and Linda Hackleman, TG assistant manager of compensation and benefits.

Mapping Your Future began its move to becoming an independent nonprofit organization about three years ago. *Mapping Your Future*'s goal was to become an organization sponsored by guaranty agencies and supported by lenders, servicers, and other financial aid industry partners. The *Mapping Your Future* 2005 team accomplished those goals, and their commitment has made *Mapping Your Future* an independent organization providing a public service to the student financial aid industry.

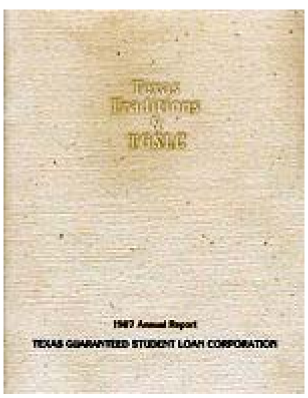
Janet Langley, in TG accounting, also received the *Mapping Your Future* annual Award of Excellence for her management of *Mapping Your Future*'s accounting and bookkeeping functions.

"*Mapping Your Future*'s annual Award of Excellence program recognizes the commitment and the work of these TG team members," said Cathy Mueller, executive director of *Mapping Your Future*. "These award recipients have a passion to serve and have contributed their time and talent to *Mapping Your Future*, furthering our mission to provide free services to schools, students, and families."

Learn more

Mapping Your Future is a nonprofit organization supported by Sponsors and Friends, including TG. Visit the financial aid professional's page at mapping-your-future.org/services/fao.cfm for more information.

Reporting Back: 1987



The Annual Report for 1987, titled *Texas Traditions & TGSLC*, details TG's increasingly interactive relationship with its partners and the financial aid community as a whole, as well as its growing awareness of the need to prepare for future trends:

"The year 1987 was probably the most active and challenging year in the corporation's seven year history. . . .

"Congress passed a major reauthorization of the Guaranteed Student Loan Program early in the year and followed up a few months later with a comprehensive package of technical amendments. The timely dissemination of this new law with appropriate explanations and clarifications was a major task for the corporation. Workshops were conducted, a new comprehensive TGSLC Lender/School Program Manual was published, and all internal operating systems were updated to comply with the new law and regulations. . . .

"The corporation established a new lower student guarantee fee of 2.25 percent and successfully convinced the Department of Education to allow the retention of Section 422(a) Federal Advances. Departments such as data processing, loan servicing, and preclaims/claims/collections achieved major milestones in growth and development. Our new Loan Guarantee Processing System was successfully implemented after over two years of very intensive development. . . .

“The Board developed its second Long Range Plan to carry the corporation into 1991 and reaffirmed our mission, goals, and objectives to provide total statewide access to student loans and quality service to our participating schools and lenders…

“As of September 30, 1987, TGSLC has matured into one of the major guarantors in the nation. Over $378 million were guaranteed to bring our cumulative guarantee total approximately $1.6 billion. At year’s end, 676 lenders and 1,940 schools participated in the Texas Guaranteed Student Loan Program. . . .

“The future holds many challenges for TGSLC. In the years to come, TGSLC must be prepared to meet and effectively deal with the crucial issues facing higher education. Among these will be an increasing minority participation in higher education, the rising cost of attending college, student debt burden, limited resources at both the state and federal levels, and the growing complexity of the student financial assistance delivery system.”

Question of the week

Q: Dear Colleague Letter FP-06-05 announced the availability of the new addenda and revised Plain Language Disclosures (PLDs) for distribution to federal loan borrowers. Is this distribution the school's responsibility or the lender's responsibility?

A: The addendum should be distributed by the same entity that is distributing the promissory note to the borrower. So, for example, if a borrower is completing his/her promissory note online on a guarantor Web site, the guarantor should be providing the applicable addendum at the same time. For another example, if the school is distributing the promissory note to the borrower, the school should provide the borrower with the applicable addendum. Finally, if a lender provides a borrower with his/her promissory note, the lender should be providing the addendum at the same time. The important thing is that the borrower is receiving the appropriate information about all of the terms and conditions of the loan at the time he/she is completing the promissory note.

The PLD should be provided by the lender. This is because the borrower that receives the PLD has already completed the promissory note, which is an agreement between the borrower and the lender. Now that the terms and conditions of the note are changing, the lender is responsible for informing the borrower of such changes. The lender already has a vehicle for sending the borrower a PLD for first, second, and subsequent loans under an MPN — i.e., they can send it with the disclosure statement — so this should not be much of an additional administrative task for the lender, except with regard to those borrowers who are not borrowing subsequent loans under an existing promissory note.

More information

For more information on the new addenda and revised PLDs, see *Shoptalk Online* Edition 353.

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

TG sponsors chat about financial aid and education debt

Students and parents can receive answers to their questions on financial aid and managing student loans and consumer debt during a live chat event on the *Mapping Your Future* Web site (www.mapping-your-future.org) on Tuesday, May 16, 2006 at 6 p.m. CDT.

Topics

The chat is designed to help participants navigate through financial aid and student loan repayment information. The chat will feature financial aid and debt management experts from across the country, answering questions about:

- The FAFSA (the Free Application for Federal Student Aid),
- Financial aid programs,
- Student loan repayment options,
- Credit cards,
- Credit reports, and
- Budgeting.

How to participate

Anyone with Internet access can join the chat event by visiting mapping-your-future.org. At the time of the chat, follow the link to the chat at top of the page.

Learn more

Mapping Your Future chat events are made possible because of the support of *Mapping Your Future*'s Sponsors and Friends, including TG. Visit the financial aid professionals page at mapping-your-future.org/services/fao.cfm for more information.

This, that, and the other

TG has released the 2006 editions of the *State of Student Aid and Higher Education in Texas* (SOSA) and the *School Fact Sheets*. Both are available for download from *TG Online*.

The SOSA offers members of the student financial aid community, policymakers, and their staffs an overview of key facts relating to student financial aid in the state. The report presents 82 one-page insights into how student aid in Texas compares to other states and to the nation as a whole. The report is available on *TG Online* at www.tgslc.org/pdf/SOSA.pdf.

The *School Fact Sheets* include pertinent information about Texas educational institutions, including two- and four-year public and private institutions and proprietary schools. The documents provide key data about the schools, the lenders they work with, and the students they serve — including demographics, typical federal student loan debt loads, and cohort default rates.

The *School Fact Sheets* are available in both an interactive HTML version and a printer-ready PDF format. The *School Fact Sheets* can be found at www.tgslc.org/publications/index.cfm. Printed copies of the four-volume *School Fact Sheets* will be available mid-month.

P.O. Box 83100
Round Rock, TX 78683-3100
(800) 252-9743
(512) 219-5700
(512) 219-4560 TDD

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.

Contributors to this edition: Chuck Bradford, Kelly Kaelin, Charles Kracy, Cindy Marrs, Art Martinez, and Susan Martinez. Edited by TG Communications and Policy and Regulatory Affairs. Designed by TG Communications.