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## Tip<sup>of</sup> the Week

Contact graduating students during their grace period to inform them of repayment options. TG has form letters and templates that can help.

To learn more, contact TG's default prevention team at (800) 338-4752.

## Federal updates

### ED provides additional guidance on new grant programs

Amidst the sweeping changes brought by the Higher Education Reconciliation Act of 2005 (HERA), many policy discussions have focused on changes to the FFELP. However, TG is aware that our school partners have been eagerly awaiting further guidance on the new Academic Competitiveness Grant (which ED is calling the AC Grant) and National SMART Grant, and additional guidance has recently been released. Last week, ED released two Dear Colleague Letters (DCLs), GEN-06-06 and GEN-06-08, with further information about the implementation and administration of these grants (see *Shoptalk Online* [Edition 351](#) for an overview of these new programs).

## List of eligible majors for National SMART Grant Program

The SMART Grant will provide \$4,000 per academic year for third- and fourth-year students who meet certain need-based and academic criteria; one of the requirements to receive the grant is enrollment in a qualifying major. GEN-06-06 provides a complete list of academic majors in which a student can be enrolled in order to be eligible for the National SMART Grant Program and their associated NCES CIP (National Center for Education Statistics Classification of Instructional Programs) codes. The list includes the physical and life sciences (health sciences are specifically excluded), computer science, engineering, math, technology, certain foreign languages, and several multidisciplinary studies majors.

In an expansion of the previous guidance from ED, GEN-06-06 also states that "These fields of study qualify as eligible majors for the National SMART Grant Program to the extent a student is enrolled in a bachelor's degree *or a graduate degree program that includes at least three academic years of undergraduate education.*" This guidance applies to mixed-degree programs, an example of which is described in the 2006-07 *Federal Student Aid Handbook* (FSA Handbook), page AVG-11, as a degree program in which "a student might earn a bachelor's degree and a master's degree in five years of coursework." The FSA Handbook further states that "The school determines at what point after three years' worth of full-time study the student ceases to be an undergraduate and becomes a graduate student, which of course affects his dependency status and loan limits, among other things. This determination must be consistent for all students in a program." Thus, since one of the qualifiers for a SMART Grant is Pell grant eligibility, and Pell grant eligibility is limited to undergraduate students and students seeking teacher certification, an otherwise eligible student in a mixed-degree program would be eligible for the SMART Grant through the point in time in which the school determined that the student ceased to be an undergraduate and became a graduate student.

### **"Rigorous" program of study defined**

GEN-06-08 provides further guidance on the implementation of the two new grant programs, as well as definitions of what ED deems a rigorous high school program for AC Grant recipients, while emphasizing that "states will also maintain the flexibility to submit a proposal for what they recognize as rigorous." The DCL identifies the following programs as automatically meeting the definition of rigorous for the 2006-07 award year:

- Advanced or honors diplomas currently offered by states (such as the Distinguished Achievement Diploma in Texas);
- State Scholars Initiative program that is currently offered in 14 states;
- Set of course requirements that is similar to the State Scholars requirements (these requirements are detailed in the letter); and

- Minimum of either at least two Advanced Placement courses with a score of 3 or higher, or at least two International Baccalaureate courses with a score of 4 or higher.

ED believes that these criteria will enable students from states without a designated advanced or honors program — as well as non-traditional high school students (for example, home-schooled students, private school students, and students attending an overseas Department of Defense high school) — to qualify as having completed a rigorous program of study.

### **Additional information in GEN-06-08**

ED estimates that less than 40 percent of Pell grant-eligible students (roughly 500,000) will be eligible for the AC or SMART Grant. ED is preparing to publish final regulations on the two grant programs as well as a notice of waiver of negotiated rulemaking to be in effect for the next two years; however, ED expects negotiated rulemaking to occur for subsequent years.

GEN-06-08 explains how a state may submit a proposal to have a program of study — beyond the four options listed above — recognized as rigorous. Such proposals must be submitted to ED by June 1, 2006.

Finally, GEN-06-08 appears to resolve unclear guidance previously received from ED (in GEN-06-04) on the treatment of the AC Grant and SMART Grant in packaging a student's financial aid; namely, whether the grants should be treated as need-based aid or non-need-based aid in determining a student's remaining financial need. GEN-06-08 states, "Note that the amount of the AC Grant or SMART Grant, when combined with a Pell Grant, may not exceed the student's cost of attendance," which is in agreement with the statutory language.

### **Timeline on ED's Web site**

ED has published a timeline of upcoming important dates through January 2007 on its Web site at [www.ed.gov/about/inits/ed/competitiveness/ac-smart.html](http://www.ed.gov/about/inits/ed/competitiveness/ac-smart.html):

- **Late June 2006:** States, colleges, and students will receive notice of programs that have been recognized as rigorous for grant purposes by the Secretary of Education for the 2006-07 academic year.
- **July 1, 2006:** Potentially-eligible students will be notified via email and regular mail that they should submit additional information to ED to determine AC Grant eligibility.
- **Fall 2006:** Institutions of higher education will verify student eligibility using records of high school performance. Student aid will be disbursed.
- **Nov. 1, 2006:** Deadline for States to establish and submit to ED additional rigorous secondary school programs of study for recognition in the 2007-08 academic year.

- **January 2007:** States receive notice of rigorous secondary school programs of study that have been recognized by ED for the 2007-08 academic year.

### **More information**

The American Association of Collegiate Registrars and Admissions Officers (AACRAO) will be hosting a webinar on the AC Grant and SMART Grant Programs on Thursday, May 11, 2006, from 2 p.m. to 3:30 p.m. (EST). The webinar will be presented by Kay Jacks, ED's FSA General Manager for Application, School Eligibility and Delivery Services, and Susan O'Flaherty, Deputy Director, FSA Application Processing. The webinar is being provided free of charge as a service to the higher education community. Interested parties may register for the webinar online at <http://webinar.aacrao.org/competitiveness/reg.htm>.

GEN-06-06 is available at <http://ifap.ed.gov/dpclletters/GEN0606.html>; GEN-06-08 is available at <http://ifap.ed.gov/dpclletters/GEN0608.html>. To learn more about the AC Grant and SMART Grant Programs, call TG customer assistance at (800) 845-6267 or send an e-mail message to [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

### **New FFELP deferment forms approved**

Yesterday, ED released Dear Colleague Letter (DCL) FP-06-06, which announced the approval of revised deferment forms and provided guidance on the transition of use of the new forms.

The revised deferment forms include:

- Unemployment Deferment Request (UNEM)
- Public Service Deferment Request (PUB)
- Parental Leave/Working Mother Deferment Request (PLWM)
- PLUS Borrower with Dependent Student Deferment Request (PLUS)
- In-School Deferment Request (SCH)
- Economic Hardship Deferment Request (HRD)
- Education Related Deferment Request (EDU)
- Temporary Total Disability Deferment Request (TDIS)

Lenders and servicers may begin to use the new forms immediately, but must provide only the newly approved forms to borrowers beginning September 25, 2006. However, if a lender or servicer receives a previous version of one of these revised deferment forms after that date, the lender or servicer may process the form.

PDF versions of the new forms are available as attachments in the DCL and on *TG Online* at [www.tgslc.org/forms/frms\\_def.cfm](http://www.tgslc.org/forms/frms_def.cfm).

## More information

To access FP-06-06, visit <http://ifap.ed.gov/dpccletters/FP0606.html>. For questions about deferments, contact TG customer assistance at (800) 845-6267 or send an e-mail message to [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

## ED releases high-level overview of operational changes due to HERA

On May 5, ED released an Electronic Announcement providing information about ED's plans to "operationally implement the HERA changes that will affect the CPS, COD System, and EDEXpress Suite." This announcement is the first in a series of communications; subsequent communications will provide more detailed information.

The announcement provides an overview of the operational changes that ED will implement and the key dates associated with these changes, as they pertain to the following:

- Need analysis changes — Expected Family Contribution (EFC) calculation
- Active duty military members as independent students
- Drug-related offenses
- Return of Title IV funds (R2T4) on the Web
- Academic Competitiveness Grant (ACG) and National SMART Grant
- Single loan disbursement/30-day delay exemptions for low cohort default rate schools

## Of particular note

One highly anticipated bit of information included in the Electronic Announcement pertains to the reprocessing of FAFSAs for certain data elements for certain students, as a result of HERA-related changes. Specifically, the announcement states that "for the 2006-07 award year, the CPS will reprocess certain Free Application for Federal Student Aid (FAFSA) data to accommodate some of the need analysis changes in the HERA. These changes include eliminating the consideration of a dependent student's type of tax return for the simplified needs test (SNT) and automatic zero EFC, and increasing the income threshold to \$20,000 to qualify for an automatic zero EFC. In a separate communication, we will describe how we will handle remaining need analysis changes for the 2006-07 award year that will not be handled through reprocessing."

## More information

To view the Electronic Announcement, visit <http://ifap.ed.gov/eannouncements/0505HERAOperationalImplGuide.html>. For

questions about this Electronic Announcement, contact TG customer assistance at (800) 845-6267 or send an e-mail message to [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

## **ED extends prior guidance relating to Gulf Coast hurricanes**

On April 28, ED issued Dear Colleague Letter (DCL) GEN-06-07 which summarized and provided for an extension of prior guidance related to hurricanes Katrina and Rita.

In the aftermath of the devastation caused by the Gulf Coast hurricanes in 2005, the Higher Education Hurricane Relief Act of 2005 authorized the Secretary of Education to waive certain provisions under the Higher Education Act (HEA) in connection with a Gulf hurricane disaster. GEN-06-07 addresses guidance provided by ED since September 2005, and provides for extensions of certain waivers relating to student financial assistance and institutional eligibility.

Topics addressed in the DCL include:

- Need analysis
- 30-day delay in disbursing student loans
- Multiple and equal disbursements
- Campus-based aid
- Institutional eligibility and participation waivers
- Return of Title IV funds
- Late disbursements
- Collection of defaulted loans
- Loan forbearance
- Interruptions
- Documentation requirements for loan holders
- Professional judgment
- Verification
- Satisfactory academic progress
- Length of academic year
- Lost records
- Reporting

## More information

To access GEN-06-07, visit <http://ifap.ed.gov/dpcletters/GEN0607.html>.

For more information about ED guidance related to the Gulf Coast hurricanes, contact TG customer assistance at (800) 845-6267 or send an e-mail message to [cust.assist@tgsic.org](mailto:cust.assist@tgsic.org).

## TG updates

### How will your school implement Grad PLUS?

Did you attend the TG Conference last month? If so, we hope that you were able to attend the session titled *Higher Education Reconciliation Act — TG and You!* In that session, some of TG's top policy and product experts explained how the changes in the HERA will impact TG's business processes. One of the most significant issues for our customers is the implementation of the Grad PLUS program and, as TG works to refine our processes, we want to learn how schools are planning to launch this extension of the PLUS Loan Program.

In particular, one topic of concern within the FFELP industry is the collection of the requested loan amount for Grad PLUS borrowers. Schools must have a "confirmation" process (as opposed to a "passive" process) for PLUS loans. A confirmation process is a process that requires the borrower to take some type of action to confirm the loan offer or to request a specific loan amount. A passive process — for example, not responding to an offer within a certain timeframe — requires no action on the part of the borrower. ED does not permit a passive process for PLUS loans.

To implement a confirmation process, a school could ask a Grad PLUS borrower to provide his or her RLA on the award letter via e-mail or the Internet. Upon receipt of this information, the school would then package the PLUS loan. Another option is for the school to include a recommended loan amount in an award letter. The borrower could then be advised to contact the guarantor or lender of any adjustments in the loan amount or to confirm the loan amount. If this option is selected, the school needs to coordinate the process with the appropriate entity to receive such contact from borrowers.

Beginning in late September, TG Loans By Web™ will solicit the PLUS borrower's RLA. For schools using other loan processing software, CommonLine permits the school to transmit zeroes in the RLA field, and TG's loan guarantee operations/data reporting team will obtain the RLA from the borrower. Clearly, an automated process for securing this information is desirable but, given the constraints we are all working under to meet July 1 deadlines, automation may not be a realistic possibility right now. TG is committed to providing exceptional customer service and plans to do whatever it takes to make the new Grad PLUS process seamless for our business partners.

To help us in planning our system changes, please send an e-mail message to [kyle.smith@tgslc.org](mailto:kyle.smith@tgslc.org) that includes:

- The name of your school.
- Information about how your school will be processing Grad PLUS loans for the 2006-07 school year; in particular, let us know what your method will be in collecting the RLA. For example, "Our school will collect the RLA for Grad PLUS loans, since the school has direct contact with the student borrower, but will ask TG to collect the RLA for parent PLUS loans."

Your responses will influence our ongoing efforts to develop the best service and products possible for our customers.

### **More information**

For more information about this request, please contact Kyle Smith, assistant vice president for TG loan guarantee operations/data reporting, at [kyle.smith@tgslc.org](mailto:kyle.smith@tgslc.org).

### **Question of the week**

**Q: If a student has already completed the FAFSA for the 2006-07 academic year and notifies the school that he or she will be utilizing distributions from a prepaid tuition plan for the upcoming academic year, what should the school do based on changes to the Higher Education Act (HEA) as a result of the recently passed Higher Education Reconciliation Act of 2005 (HERA)?**

A: The HERA has amended the HEA to state that, effective July 1, 2006, distributions from a prepaid tuition plan are no longer counted as a resource (also known as estimated financial assistance), but rather are reported on the FAFSA as an asset of the owner (as long as the owner is not a dependent student). Specifically, per the HERA and per recent guidance in Dear Colleague Letter (DCL) GEN-06-05 (which states that this change is effective for the 2006-2007 award year), for a dependent student, distributions from a prepaid tuition plan are reported as an asset of the parent if the parent (including a stepparent) is the owner of the account or plan. Thus, if the school receives information from a dependent student that the student will be utilizing distributions from a prepaid tuition plan in which the parent is the owner, the school must not count such distributions as a resource for the purposes of packaging financial aid, but will instead need to submit corrections to the student's Institutional Student Information Record (ISIR), reporting the distributions as an asset of the parent. If the school receives information from an independent student that the student will be utilizing distributions from a prepaid tuition plan in which the student is the owner, the school will need to submit ISIR corrections, reporting the distributions as an asset of the student. The school should report only the amount of the distributions that the student will utilize for the upcoming academic year, not the full value of the plan.

The school should be aware that reporting the prepaid tuition plan distributions as an asset may increase the student's expected family contribution (EFC). However, using the distributions as an asset (in which case, the distributions are factored into the federal methodology) versus as a resource (in which the distributions are a dollar-for-dollar offset of the student's cost of attendance) is beneficial to the student. The school may need to counsel the student as to how this change in how prepaid tuition plan distributions are counted for the purposes of determining financial aid eligibility benefits the student.

### **To access GEN-06-05**

To access DCL GEN-06-05, visit [www.ifap.ed.gov/dpcletters/GEN0605.html](http://www.ifap.ed.gov/dpcletters/GEN0605.html).

### **Do you have a question?**

If you have a question that needs an answer, feel free to *Ask TG*<sup>™</sup>. *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**

### **Manning to replace Stroup as assistant secretary for postsecondary education**

The Department of Education (ED) announced on Thursday that James Manning will become acting assistant secretary for postsecondary education.

President Bush named Manning, the chief of staff at Federal Student Aid, to replace at least temporarily Sally L. Stroup, who left her position last month to become deputy staff director of the U.S. House of Representatives Committee on Education and the Workforce.

While Manning was chief of staff at FSA, ED was successful in obtaining its first clean review from outside financial auditors. Manning also served as ED's acting assistant secretary for civil rights from December 2004 to December 2005 while he was chief of staff. Prior to that, Manning served as chief of staff to the deputy education secretary.

## ***Common Manual***

### ***Common Manual updates***

On April 20, 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 available online at [www.tgslc.org/resources/integrated\\_online\\_manual.cfm](http://www.tgslc.org/resources/integrated_online_manual.cfm).

## **Death of a Student or Parent**

The *Common Manual* has been updated to include guidance for schools and lenders to follow in the event of a student or parent borrower's death. Information has been added to address the following issues:

1. Certification of an additional unsubsidized Stafford loan for a student whose parent dies during the loan period.
2. Lender cancellation of a Stafford or PLUS loan disbursement if the borrower, or student for whom a PLUS loan was borrowed, dies before all disbursements of the loan are completed.
3. Treatment of a Title IV credit balance when a student dies.
4. Return of loan funds for a deceased borrower.
5. Determining the withdrawal date for a deceased student.
6. Disbursements that are not completed at the time of the borrower's or student's death.

The school is not permitted to deliver Stafford or PLUS loan funds if the student has died. In addition, if the parent who borrowed the PLUS loan dies, the school may not deliver the PLUS loan funds after the date of the parent's death. The death of the parent creates sufficient "exceptional circumstances" to permit the school to certify additional unsubsidized Stafford loan funds for the dependent student for the current academic year if those funds would not result in the student exceeding applicable annual or aggregate loan limits.

If the student dies at any time during the loan period, the school must perform a return of Title IV funds calculation and must return all Title IV funds for which it is responsible. However, the student's estate is not responsible for returning any unearned funds that would be the responsibility of the student to repay. A school may not under any circumstances make a late disbursement or a post-withdrawal disbursement of Title IV funds on behalf of a student who has died.

Text has been added to state that the student's withdrawal date is the date related to any of the following conditions that result in the student's withdrawal:

- Illness
- Accident
- Grievous personal loss
- Death

- Other circumstances beyond the student’s control

If the lender learns that a borrower — or student, in the case of a PLUS loan, — died before a disbursement is completed, the lender must cancel all remaining disbursements. If after forwarding a loan disbursement to a school, the lender learns that the borrower — or student, as applicable, — died before a disbursement is completed, the lender must contact the school and request an immediate repayment of the ineligible funds.

**Affected Sections:** 6.15.D. Additional Unsubsidized Stafford Loan Certification  
 7.7.K. Disbursement Cancellation  
 8.8 Managing Credit Balances  
 8.9 Return of Loan Funds  
 9.4 Withdrawal Dates  
 9.5.A. Return Amounts for Title IV Grant and Loan Programs  
 13.8.C. Death  
 13.9.B. Teacher Loan Forgiveness Program

**Effective Date:** Updates to return of Title IV funds requirements are effective October 7, 2000, unless implemented earlier by the school on or after November 1, 1999. All other updates are effective retroactive to the implementation of the *Common Manual*.

**Basis:** §668.22(c)(1)(iv); 2005-06 Federal Student Aid Handbook, Volume 5, Chapter 2, pages 5-65, and 5-79; private letter guidance from George Harris (ED) to Reitha Scott, Florida Department of Education; private letter guidance from Jeff Baker (ED) to the Honorable David Wu, U.S. House of Representatives; and private letter guidance from Jamie Malone, (ED, Region V) to Greg Schweitzer, Great Lakes Higher Education Guaranty Corporation.

**Policy Information:** 859/Batch 129

**Guarantor Comments:** None.

### Loan Delivery via Stored Value Cards

The *Common Manual* has been updated to include the stored-value card as an acceptable method of delivery. The school must obtain the student or parent borrower's authorization, as applicable, to deliver Title IV funds using a stored-value card, and the following conditions must be met:

- The value of the card must be convertible to cash and may not be limited to specific vendors.
- The student must not incur any fees for using the card to withdraw the disbursement over a reasonable period of time. It would be reasonable to allow automated teller machine (ATM) withdrawals to be free, or to provide several free withdrawals per month. It would also be reasonable to charge a fee for use

of an ATM that is not affiliated with the issuing bank, as long as ATMs from the issuing bank are conveniently located for the student.

- The student must not be charged by either the school or the affiliated bank for the issuing of a stored-value card. The student may be charged for a replacement card.
- The bank must have an individual account for each student that is insured by the Federal Deposit Insurance Corporation (FDIC).
- The school must not make any claims against the funds on the card without the written permission of the student, except to correct an error in transferring the funds to the bank under existing banking rules.
- The account must not be marketed or portrayed as a credit card account, nor be structured to be converted into a credit card at any time after it is issued. The issuing bank may not link the stored-value card account to any other banking services it may offer, such as checking, savings, or credit card accounts.
- The school must inform the student of any terms and conditions associated with accepting and using the stored-value card.
- The school must ensure that its stored-value card process meets all regulatory time frames for delivery of loan proceeds or payment of Title IV credit balances.
- The student's access to the funds on the stored-value card must not be contingent upon the student's continued enrollment, academic status, or financial standing with the school.

**Affected Sections:** 8.3 Required Authorizations  
8.7.H Delivery Methods

**Effective Date:** Loan proceeds delivered by a school on or after October 27, 2005, unless implemented earlier by the school.

**Basis:** Dear Colleague Letter GEN-05-16, Q&A #18 and #20.

**Policy Information:** 860/Batch 129

**Guarantor Comments:** None.

### **Master Promissory Note (MPN) Signed after the Date the Student Lost Eligibility**

The *Common Manual* has been updated to specify that a borrower is not required to sign the Master Promissory Note (MPN) prior to the end of the loan period or the date on which the student ceased to be enrolled at least half time to be eligible for a late delivery of Stafford or PLUS loan funds. However, the borrower must sign the MPN before a lender may make a late disbursement of loan funds. In order for a school to include Stafford or PLUS loan funds, as applicable, as "aid that could have been disbursed" in the return of Title IV funds calculation, or for a school to make a

post-withdrawal disbursement, the borrower must have signed the MPN prior to the date the school completes the calculation.

**Affected Sections:** 8.7.E Late Delivery  
9.5.A Return Amounts for title IV grant and Loan Programs

**Effective Date:** Return of Title IV funds calculations completed on or after October 27, 2005.

**Basis:** Dear Colleague Letter GEN-05-16, Q&A #1, #2 and #3.

**Policy Information:** 861/Batch 129

**Guarantor Comments:** None.

### **Exceptional Circumstances for Certifying Additional Unsubsidized Stafford Loan Funds for a Dependent Student**

The *Common Manual* has been updated to include additional 'exceptional circumstances' that a school may use to certify additional unsubsidized Stafford loan funds for an otherwise eligible dependent student. These circumstances may include, but are not limited to:

- The dependent student's parent is not a U.S. citizen or eligible non-citizen and the dependent student is otherwise eligible for the additional unsubsidized Stafford loan.
- The dependent student's parent files a bankruptcy petition and provides the school with an official letter from the bankruptcy court confirming that the parent has filed for bankruptcy and is prohibited from incurring additional debt.
- The dependent student's parent is in default on a Title IV loan.

**Affected Sections:** 6.15.D Additional Unsubsidized Loan Certification

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

**Basis:** §682.201(b)(1)(iv); Dear Colleague Letter GEN-05-16, Q&A #5 and #6.

**Policy Information:** 862/Batch 129

**Guarantor Comments:** None.

### **HEROES Act Waivers**

The *Common Manual* history appendix has been revised by adding a new entry, dated October 20, 2005, for the publication date of the Federal Register that extends the HEROES Act waivers until September 30, 2007. A new section of the history appendix, H.4, titled *Statutory and Regulatory Waivers*, has been created for the HEROES Act waivers and any future waivers that ED may publish pursuant to hurricane disaster relief or other special circumstances. Section H.4 describes "affected individuals" as defined in the HEROES Act and provides for quick reference

a chart that indicates which of the HEROES Act waivers or modifications apply to six different groups of individuals. The text of section H.4 summarizes the current requirement that each waiver affects, includes appropriate cross-references for more comprehensive information about each current requirement, describes each waiver or modification in detail, and discusses documentation requirements associated with granting the HEROES Act waivers or modifications.

As a technical edit, standardized cross-referencing language will be inserted into the manual's policy text to refer the reader to section H.4 of appendix H for more information about the HEROES Act waiver or modification that applies to the policy's topic.

**Affected Sections:** Appendix H

**Effective Date:** December 12, 2003, through September 30, 2007.

**Basis:** Federal Registers dated December 12, 2003, and October 20, 2005; Public Laws 108-76 and 109-78.

**Policy Information:** 863/Batch 129

**Guarantor Comments:** None.

### **Required Updates to a Student's Dependency Status**

The *Common Manual* has been updated to state that a student must update his or her dependency status if it changes at any time during the award year, unless it changes because the student's marital status changes. If an unmarried and otherwise dependent student marries after he or she submits the FAFSA, the student remains dependent for the rest of that award year. If the student is still married when he or she submits the FAFSA for the next award year, the student is independent for that award year. If a married student divorces after he or she submits the FAFSA, the student remains independent for the current award year. However, if the student is independent in the current award year solely because he or she is married, the student is dependent in the next award year if he or she cannot answer "yes" to any of the dependency questions on the FAFSA.

If the student's last remaining parent dies after the FAFSA is submitted, the student must update his or her dependency status on the Student Aid Report (SAR) and report income and assets as an independent student.

After the school certifies a Stafford loan, the certification record cannot be changed to reflect a change in dependency status. However, the school may use the updated status to recalculate the expected family contribution (EFC) and certify additional loans if the student qualifies. The school is liable for any overpayment of Stafford loan funds due to recalculation errors.

**Affected Sections:** 6.8 Determining Updates to Dependency Status

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

**Basis:** 2005-06 Federal Student Aid Handbook, Application and Verification Guide, Chapter 2, pages AVG-23 and AVG-29, and Chapter 5, page AVG-97.

**Policy Information:** 864/Batch 129

**Guarantor Comments:** None.

### **Total and Permanent Disability Loan Discharge Determination with New Loan**

The *Common Manual* has been revised to state that if a borrower receives a new loan under the Perkins, FFEL, or Direct Loan programs (with the exception of a Consolidation loan that does not include any loans that are in a conditional discharge status) within three years of the date the borrower became unable to work and earn money, the borrower is not eligible for discharge on that loan or any loan made prior to that date. This three-year period (i.e., the conditional discharge period) begins on the date the borrower became unable to work and earn money, as certified by the physician. The lender must review its records for any new loan(s) made to the borrower on or after the date the borrower became totally and permanently disabled. If the lender's records indicate (or the lender is otherwise aware) that a new loan(s) was made during the three-year conditional discharge period, the lender must deny the discharge and inform the borrower.

**Affected Sections:** 13.8.E Total and Permanent Disability

**Effective Date:** Total and permanent disability loan discharge applications received by the lender on or after July 1, 2006, unless implemented earlier by the guarantor.

**Basis:** §682.402(c)(1)(ii)(B).

**Policy Information:** 852/Batch 130

**Guarantor Comments:** None.

### **Borrower Authorization to Release Loan Funds Received via EFT or Master Check**

The *Common Manual* has been updated to remove language that implies that when a borrower signs the Master Promissory Note (MPN), he or she is giving the lender permission to disburse Stafford or PLUS loan funds, as applicable, via electronic funds transfer (EFT) or master check. Revised language clarifies that when the borrower signs the MPN, he or she is authorizing the school to release funds received via EFT or master check from the school account to the student's account with the school.

**Affected Sections:** 8.3 Required Authorizations  
8.7.H Delivery Methods

**Effective Date:** Information applicable to Stafford loans is retroactive to the implementation of the Federal Stafford Loan Master Promissory

Note (Stafford MPN); and information applicable to PLUS loans is retroactive to the implementation of the Federal PLUS Loan Application and Master Promissory Note (PLUS MPN).

**Basis:** None.

**Policy Information:** 865/ Batch 130

**Guarantor Comments:** None.

### **Teacher Loan Forgiveness Payment Application**

The *Common Manual* has been revised to state that unless instructed otherwise by the borrower, a lender must apply a teacher loan forgiveness payment received on the borrower's behalf first to any outstanding unsubsidized Federal Stafford loan balances, next to any outstanding subsidized Federal Stafford loan balances, and then to any eligible outstanding Federal Consolidation loan balances.

**Affected Sections:** 13.9.B Teacher Loan Forgiveness Program

**Effective Date:** Teacher Loan Forgiveness Applications received after October 1, 1998.

**Basis:** §682.215(f)(5).

**Policy Information:** 866 /Batch 130

**Guarantor Comments:** None.

### **Deferment Eligibility**

The *Common Manual* has been revised to more clearly state that if all of the loans that qualified the borrower as a "new borrower" in one category are paid in full through consolidation, the borrower changes to the "new borrower" category applicable to the date on which the Consolidation loan is made. The borrower is eligible for deferments in that category on the Consolidation loan and all subsequent loans. In addition, revised policy removes an incorrect regulatory citation and replaces it with a correct citation.

**Affected Sections:** 11.1.A General Deferment Eligibility Criteria

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

**Basis:** None.

**Policy Information:** 867/ Batch 130

**Guarantor Comments:** None.

### **2006 *Common Manual* to include HERA updates**

The *Common Manual* Governing Board, comprised of representatives of all FFELP guarantors, have agreed to defer publication of the 2006 version of the *Common*

*Manual* and ensure that the version includes as many changes as possible that pertain to changes to the Higher Education Act brought about by the passage of the Higher Education Reconciliation Act (HERA) of 2005. The Governing Board projects an October 2006 delivery of the printed and CD versions of the manual.

Previous annual updates of the Manual have usually been delivered to customers on around July 1 of each year, based on a time line and production schedule that coincides with the statutory master calendar. This year's February enactment date of the HERA threw a wrench into the Manual's normal time line, so the time line is being adjusted to ensure that the resources the *Common Manual* provides to the community are as up-to-date as possible. Regular updates of the *Integrated Common Manual*, the Web-based version of the manual's text that shows underlines and strikethroughs as new policies are approved, will continue to be issued each month to ensure that schools and lenders have access to the latest version of the Manual at all times.

As part of the HERA policy development effort, the *Common Manual* Policy Committee will be distributing three batches of HERA policies for community review. The first batch was published April 21 with comments due May 12; a second batch is scheduled for May 12, and a third batch is scheduled for early June. The Governing Board, which includes Nina Hold, TG assistant vice president for policy and regulatory affairs, appreciates the community's understanding and support of the deferred 2006 publication, and its participation in the extended development process.

### **More information**

For more information about the *Common Manual* or for questions regarding the deferred publication of the 2006 Manual, contact TG customer assistance at (800) 845-6267, or send an e-mail message to [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

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

It's graduation season, time for college seniors to celebrate good friends and hard work — and the end of those ever-rising tuition payments.

But financial freedom may have to wait a week or two. From cap and gown rentals to printed announcements to inflated hotel prices, pomp and circumstance doesn't come cheap these days, states a May 3 *Associated Press* article. While the joy of the moment often means families and students happily fork over the money, graduation weekend can wallop the wallet one last time.

It's hard to say how much Americans spend on the full range of graduation expenses, but it's ample. Class rings seem to be rebounding from an unfashionable period, and despite e-mail, written announcements are surprisingly resilient, especially in the South.

Caps and gowns are the one expense students generally can't avoid, at least if they want to march in commencement. Ultimately, few parents begrudge money spent on such a happy occasion.

To read the entire article, visit

[www.cnn.com/2006/EDUCATION/05/03/pracey.graduation.ap/index.html](http://www.cnn.com/2006/EDUCATION/05/03/pracey.graduation.ap/index.html)



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