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Tip of the Week

Take advantage of TG's Integrated Default Assistant (IDA™) and learn how it can help your school manage its TG cohort default rate. To find out more, call (800) 338-4752.

Federal updates

ED releases Electronic Announcement regarding changes to needs analysis at CPS

On May 11, ED released an Electronic Announcement discussing ED's plans to reprocess certain FAFSA data due to changes in need analysis as a result of the passage of the Higher Education Reconciliation Act of 2005 (HERA). This announcement is a follow-up to the Electronic Announcement released last week that provided a high-level overview of operational changes due to HERA. Specifically, this latest announcement addresses:

- Changes ED has made to Central Processing Systems (CPS).
- Which records will be reprocessed.
- How to identify the reprocessed records.
- The new SAR comment regarding dependency status for students on active duty military.
- The school's responsibility to review new ISIR data.

- Updated specifications for software developers.

Of particular note

ED states that it expects this reprocessing to affect less than 150,000 records. The announcement also provides further guidance on a school's handling of active duty military students who are otherwise dependent; schools are instructed to submit a dependency override for those students. Finally, ED notes that subsequent announcements will provide more detail on the treatment of "remaining need analysis changes for the 2006-07 Award Year that cannot be handled through reprocessing."

More information

To view the Electronic Announcement, visit <http://ifap.ed.gov/eannouncements/HERA05112006.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.

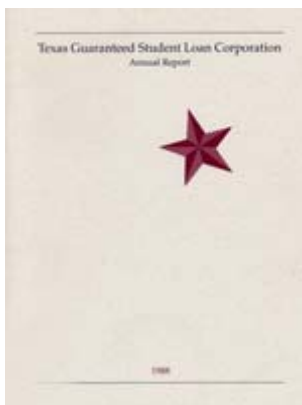
TG updates

Reporting Back: 1988

During 1988, TG continued and strengthened its tradition of service, technological innovation, and industry leadership, as demonstrated in the Annual Report for that year. Below are some excerpts from that report:



- TGSLC guaranteed 187,793 Stafford Loans, for a total of \$472,350,823 and 54,838 PLUS/SLS Loans, for a total of \$160,841,312. These figures represent substantial increases in our loan activity over prior years, both in loan numbers and dollars.
- Cumulatively, TGSLC guaranteed its two billionth Stafford Loan dollar in July 1988. (Texas) State Rep. Wilhelmina Delco presided at a ceremony honoring University of Texas Health Science Center nursing student Guadalupe Cruz, who received this loan's proceeds.



- Improvements to the student aid delivery process continued to receive high priority as TGSLC implemented the Loan Information Network Clearinghouse (LINC) project to the pilot phase. By utilizing the electronic transfer of loan application information, the LINC system minimized processing time and paperwork for all participants in the Texas Guaranteed Student Loan Program (TGSLP).

- TGSLC intensified its efforts to address defaults in the (TGSLP) by developing information and training materials on debt management and student financial assistance programs. TGSLC also sponsored, with the Texas Association of Student Financial Aid Administrators (TASFAA), a three-day “Strategic Default Initiative” conference, which provided a forum for financial assistance professionals to discuss and develop effective and responsible ways to reduce the default experience in the TGSLP.
- TGSLC implemented the Telephone Broadcast System (TBS), a computerized telephone aid, to strengthen and streamline our pre-claims and collections efforts. Through automated dialing and the screening of no answers and busy signals, TBS helped TGSLC maximize staff time by freeing collectors for increased interaction with borrowers. Through this and other collection efforts, TGSLC was able to recapture \$9.2 million for the student loan program.
- TGSLC continued to promote program integrity through a comprehensive training and technical assistance plan for schools, lenders, secondary markets, and servicers. Regional workshops combined with in-house sessions and TGSLC staff participation in association-sponsored meetings offered Program participants varied professional development opportunities throughout the year.
- The Sunset Advisory Commission reviewed the operations of TGSLC and incorporated its recommendations into legislation that was to be introduced during the 71st Texas Legislature which convened in January 1989. The major finding of the review was that TGSLC is fulfilling its legislatively-mandated mission competently and that the Corporation should be continued, with minor modification, for another 12 years.

Question of the week

Q: What is a cohort default period?

A: Per the *Cohort Default Rate Guide*, the phrase “cohort default period” refers to the two-year period that begins on October 1 of the fiscal year when the borrower enters repayment and ends on September 30 of the following fiscal year. During this period, a borrower’s default affects the school’s cohort default rate. For example, a borrower who enters repayment during the current fiscal year (FY 2006) between October 1, 2005, and September 30, 2006, who then defaults any time during that fiscal year or the next fiscal year ending on September 30, 2007, would have a negative effect on a school’s FY 2006 cohort default rate. For more information about cohort default rates, refer to the *Cohort Default Rate Guide* and to chapter 16 of the *Common Manual*.

Resources

The *Cohort Default Rate Guide* is available for download at www.ifap.ed.gov/drmaterials/finalcdrg.html.

The latest version of the *Integrated Common Manual* is available for download at www.tgslc.org/resources/integrated_online_manual.cfm.

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

Building a summer bridge for the Grad PLUS student

Since President Bush's signing of the Higher Education Reconciliation Act of 2005 (HERA) last February, many of the high-level issues raised by TG and our industry partners about the resulting changes to the Higher Education Act have been addressed through further guidance from ED in the form of Dear Colleague Letters (see *Shoptalk Online* editions [351](#) and [346](#)).

For many of us, our focus is now shifting from understanding the major changes in the HERA to realizing the specific, day-to-day impacts on the programs we administer. In particular, the new Grad PLUS program continues to spur many questions from our customers.

One of the most common issues that recently has arisen is whether the Grad PLUS borrower will be eligible for the "summer bridge" extension (see definition below). The ability of a Grad PLUS borrower to receive the summer bridge extension hinges on the student enrollment reporting process and how it can affect the student's repayment status. FFELP participants have experienced the issues associated with a student loan that does not have a grace period before, when the Supplemental Loans for Students (SLS) program was operational. During that period, ED crafted a plan specifically tailored to minimize the confusion and reworks that occur when a student borrower does not attend school during the summer and does not have a grace period on one or more FFELP loans, but plans to re-enroll in the fall. To be successful, however, this plan requires the cooperation of all FFELP participants.

The plan – A summer bridge

The summer bridge is an extension of a period of in-school status based on the student's anticipated re-enrollment for the following fall term. In other words, the student attends school through the end of the spring term, does not enroll during the summer term, but resumes enrollment in the fall. The student is allowed to defer loan repayment during the summer, based on the expectation that he or she will resume at least half-time enrollment in the fall.

Schools, lenders, and guarantors all have specific responsibilities in enrollment reporting and tracking. Schools must determine and report an anticipated graduation date (AGD) on the school certification that occurs when a student applies for a FFELP loan. The registrar or aid office must report changes in a student's enrollment level on a regular basis, but at least twice a year. Lenders must take appropriate actions to convert a loan to repayment when they are notified that a student is out of school or is enrolled less than half time. Guarantors track and report on student enrollment for several reasons, including NSLDS reporting. All of these responsibilities, which seem routine, actually can create confusion and unnecessary work when one of the business partners is out of step with what's expected.

What does the *Common Manual* say?

A Grad PLUS borrower is eligible for a summer bridge extension, provided that the lender receives certain information about the borrower. The *Common Manual* states in subsection 11.5.D that "a PLUS loan borrower is eligible to extend an in-school deferment through the summer if the PLUS borrower intends to enroll on at least a half-time basis in the fall." Schools play a crucial role in providing the necessary information to the lender to ensure that their students qualify for the summer bridge.

What does the school need to do?

In the simplest and most common scenario, when a school is certifying a loan for a Grad PLUS borrower for an upcoming academic year (fall and spring), and the student is not expected to graduate in the spring, the school should provide an AGD that is beyond the spring semester included in the loan period. This action triggers the lender to automatically approve a summer bridge extension for the student borrower.

However, if a school does not certify a new loan on the student's behalf; certifies a new loan, but does not provide an AGD on the loan certification; or uses the end of the upcoming spring semester as a default AGD (even though the student is not expected to graduate at that time), the student's repayment status is affected. Schools are strongly encouraged to provide a realistic AGD based on a standard time frame to meet the full requirements for completion of the program for which the student is enrolled. This benefits the school, the borrower, and the lender by eliminating loan status changes which would move the borrower to repayment status prematurely.

What if the student does not reenroll as planned?

Usually, the school does not need to do anything extra. It simply continues to provide regular enrollment reports, and the lender adjusts its records according to the latest information received. The lender may maintain the summer bridge status on the loan for up to 30 days following the date the school has provided as the beginning of the fall academic period. If the lender does not receive verification of reenrollment by the end of the extension — either through a new loan certification

or NSLDS reporting — the lender must treat the loan as if it had been in forbearance during the summer bridge and the 30 days after the beginning of the fall semester, convert the loan to repayment on the day following the last date of certified enrollment, and capitalize interest that accrued during the extension period. The lender then establishes a payment due date within 60 days of the end of the summer bridge.

More information

For more information about the summer bridge extension for Grad PLUS borrowers, call TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

Origination fee reminder for lenders

Have you recently decided or have you just begun to pay origination fees on behalf of your Stafford loan borrowers? If so, please remember that this benefit, like many others in FFELP loan processing, is tied to when a loan is first disbursed. For example, if one or more disbursements have previously been made on a loan, the roster you submit for any subsequent disbursement(s) must show the same charge for the same fee.

The basis for this requirement is the Higher Education Act of 1965, as amended, which states that if a fee is charged to a borrower, it is “to be deducted proportionately from each installment payment of the proceeds of the loan prior to payment to the borrower” [HEA 438(c)(2)]. This means that all rosters submitted for a particular loan must have the same origination fee. Otherwise, the record(s) will reject with error code 213 (net disbursement amount is missing or invalid) on the lender’s CommonLine acknowledgment file.

More information

Information regarding the collection of origination fees can also be found in the *Integrated Common Manual* (ICM), subsection 7.9.A. To download the ICM, go to www.tgslc.org/resources/integrated_online_manual.cfm. If you have questions about this requirement under the HEA, contact TG customer assistance at (800) 845-6267 or by e-mail at cust.assist@tgslc.org.

This, that, and the other

On a recent Friday morning, a line of bathing-suit clad students stood beside a campus swimming pool, waiting to jump in. They had come to persuade the University of North Carolina at Chapel Hill they were worthy of a college degree — which they were not, in UNC's eyes, until they could swim 50 yards and tread water for five minutes.

This was the last swim test day at one of the last remaining colleges to require it.

A half-century ago, passing a swim test was a common requirement on college campuses. In an era before health clubs, yoga and aerobics, swimming was both a popular exercise option and a skill colleges believed men and women should master — both for their own safety and for social reasons.

But swimming has lost its prominent place in campus physical education as the finishing school element has faded and other fitness options have multiplied.

To read the May 7 *Associated Press* story in its entirety, visit www.washingtonpost.com/wp-dyn/content/article/2006/05/07/AR2006050700503.html



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