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Tip^{of} the Week

Involve parents in students' entrance counseling. TG can provide a list of topics to cover during entrance counseling sessions. Call (800) 845-6267 to find out more.

Federal updates

The sudden demise of the single-holder rule

The "single-holder rule"— the provision in the Higher Education Act (HEA) which stated that a borrower seeking a Federal Consolidation loan, whose FFELP loans are held by a single holder, must request consolidation from that holder — has been repealed. The axe fell with the president's signing of H.R. 4939 (an appropriations bill called the "Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006") on June 15.

The demise of the rule is rather abrupt, considering that it was expected to be eliminated from the HEA in the Higher Education Reconciliation Act of 2005 (HERA), but the provision was dropped from the HERA in conference committee before the final bill was submitted for presidential signature.

Now that the issue has been settled outside of the HERA, another twist of the repeal of the single-holder rule is its effective date. It is effective June, 15, 2006,

the date of enactment of the bill (not July 1, 2006, when most of the HERA provisions become effective). This means that a borrower seeking a Federal Consolidation loan, whose FFELP loans are held by a single holder, can request consolidation from any lender that participates in the FFELP effective for any Consolidation loan application received on or after June 15, 2006.

Consolidation addendum being reviewed by industry workgroup

As announced in *Shoptalk Online* [Edition 353](#), as a result of the passage of the HERA, in late April, ED approved addenda to be distributed with new promissory notes provided to borrowers seeking loans under the Stafford, PLUS, and Consolidation Loan programs. On recent alert that the single-holder rule might be repealed, an industry workgroup has been amending the Consolidation Loan Application and Promissory Note addendum to include this information. The revised addendum is being reviewed by ED for future approval and distribution throughout the FFELP industry.

More information and questions

For questions about the repeal of the single-holder rule, contact TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

The HERA requires new procedures for post-withdrawal disbursements

One of the many Higher Education Reconciliation Act (HERA) of 2005 changes impacting schools is an expansion of the school's responsibilities in processing a post-withdrawal disbursement for a withdrawn student.

Effective July 1, 2006, when a school performs the return of Title IV funds calculation and determines that a withdrawn student is eligible to receive a post-withdrawal disbursement of loan funds, the school must contact the borrower prior to delivering the post-withdrawal disbursement of loan funds to explain the borrower's obligation to repay the funds if the funds are disbursed, and to confirm that the borrower still requires the loan funds.

The HERA further states that after contacting the borrower, the school must document the contact in the student's file and note the borrower's final decision concerning the disbursement.

Additional concerns for schools

Per verbal guidance received recently from ED, although the HERA states that this new requirement applies to a "late disbursement or post-withdrawal disbursement," due to the placement of this language by the HERA in the "Institutional Refunds" section of the Higher Education Act (HEA), this provision applies only to post-withdrawal disbursements and not to other types of late disbursements. Thus, ED provided guidance pertaining to post-withdrawal disbursements only in Dear

Colleague Letter (DCL) GEN-06-05, under the subheading of “return of Title IV funds.”

This change to the HEA will also affect the school’s processing of a post-withdrawal disbursement consisting of loan funds when a student still owes institutional charges. Per current regulatory language, schools are allowed to apply loan funds toward institutional charges without the borrower’s authorization; this statutory provision will prohibit schools from crediting a student’s school account with a post-withdrawal disbursement of loan funds until after the school has obtained confirmation that the borrower still requires the loan funds.

We anticipate formal guidance from ED in the form of final regulations shortly affirming these policy changes.

More information

To access GEN-06-05, visit <http://ifap.ed.gov/dpcletters/GEN0605.html>.

For questions about post-withdrawal disbursements, contact TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgsic.org.

Grad PLUS: A new choice for graduate and professional borrowers

On February 8, 2006, a stir went through the graduate and professional financial aid community. In addition to initiating other changes, the signing of the Higher Education Reconciliation Act (HERA) of 2005 amended the Higher Education Act of 1965 by making graduate and professional students eligible to borrow under the Federal PLUS Loan Program (effective for loans certified on or after July 1, 2006). Soon, graduate and professional students will be able, for the first time, to borrow federal money up to their cost of attendance.

Grad borrowing options today

Today, graduate and professional students have limited federal borrowing options consisting mainly of Federal Stafford loans. With an annual limit of \$18,500, the Stafford loan often fails to cover the rising cost of attendance of graduate and professional programs at many schools. Private and alternative educational loans currently provide an option for borrowers who need to fill the gap left between the cost of attendance and available federal aid. As a matter of fact, according to the College Board’s *Trends in Student Aid 2005*, students have relied increasingly on alternative loans over the last decade, leading to a 700-percent growth in private loan volume from the 1995-96 academic year to the 2004-05 academic year.

The Grad PLUS option: comparing Stafford, Grad PLUS, and alternative loans

As financial aid professionals, we know that Stafford loans are more advantageous than either Grad PLUS or alternative loans. The Stafford interest rate is lower, the

loan provides a grace period, and at least a portion of the borrower's loan funds may be subsidized, depending on student eligibility. Most students will maximize their Stafford borrowing ability before turning to additional Grad PLUS or alternative loans. However, while we can encourage graduate and professional students to borrow the most that they can under the Stafford Loan Program, keep in mind that Dear Colleague Letter FP-06-05 states that while a school must determine a student's maximum eligibility for Stafford loan funds, an otherwise eligible student is not required to borrow any Stafford loan funds in order to obtain a Grad PLUS loan.

Under the Grad PLUS program, graduate and professional students will have to meet the same creditworthiness criteria as parent PLUS borrowers and will be able to borrow up to the cost of attendance minus estimated financial assistance. Additionally, all eligible borrowers (parent and graduate) will generally receive the same federally-backed terms, including interest rate (lenders may offer discounted rates), loan fees, and repayment options. This is in contrast to alternative loan terms which usually vary depending on the borrower's credit history, the availability and creditworthiness of a co-signer, and current lending rates such as the Prime and LIBOR rates. In situations where both the borrower and co-signer have very good credit, some alternative loan lenders offer very competitive interest rates and terms.

With the new choice of Grad PLUS comes new questions for students and schools. Financial aid professionals should work with students in deciding what aid package makes the most sense for them. While the Grad PLUS Loan Program will often be the better option for students needing assistance beyond Stafford loans, students should be aware of alternative loan options in order to make the best decision based on their individual circumstances. Students and professionals should also keep in mind that the terms of alternative loan programs are subject to change and frequently do so.

TG has created a handy chart highlighting some key points that students and financial aid professionals should consider when comparing the Stafford, Grad PLUS, and alternative loan programs.

	Federal Stafford (Graduate)	Grad PLUS	Alternative
Eligibility Requirements	Must be enrolled at least half time Must complete FAFSA	Must be enrolled at least half time Must complete FAFSA Must be deemed creditworthy according to criteria established by ED and lender Co-signer option available if necessary	Must be deemed creditworthy according to criteria established by lender Debt-to-income ratio usually considered Possible/preferred co-signer
Interest Rate	6.8 percent fixed (for loans first disbursed on or after July 1, 2006)*	8.5 percent fixed (for loans first disbursed on or after July 1, 2006)*	Variable depending on creditworthiness of borrower and/or co-signer, and usually dependent on Prime or LIBOR rates Average rates vary between Prime plus 0 and LIBOR plus 2.5 percent to Prime plus 7.75 and LIBOR plus 5.5 percent
Loan Fees	2% origination fee (for loans first disbursed on or after July 1, 2006) ** 1% federal default fee***	3% origination fee 1% federal default fee***	Set by lender depending on credit; generally range from 0% to 10%
Annual Loan Limits	\$18,500, with a maximum of \$8,500 subsidized	Up to cost of attendance minus estimated financial assistance	Usually up to cost of attendance; varies by lender
Repayment	Deferred payments while enrolled at least half time Six-month grace period 10-year standard repayment with optional 25-year extended repayment for balances greater than \$30,000 Can consolidate under Federal Consolidation Loan Program Federal deferment and forbearance available to postpone payments Federal discharge and forgiveness options Combined billing available	Deferred payments while enrolled at least half time No grace period 10-year standard repayment with optional 25-year extended repayment for balances greater than \$30,000 Can consolidate under Federal Consolidation Loan Program Federal deferment and forbearance available to postpone payments Federal discharge options Combined billing available	Most have deferred payments while enrolled at least half time Generally, no grace period May extend repayment up to 25 years depending on balance and lender Cannot consolidate under Federal Consolidation Loan Program Some lenders offer deferment options Normally not dischargeable Combined billing for federal and private loans available
Incentives	Vary by lender, usually interest rate breaks based on direct debit and certain number of on-time payments	Vary by lender, usually interest rate breaks based on direct debit and certain number of on-time payments	Vary by lender, usually interest rate breaks based on direct debit and certain number of on-time payments Some allow for release of co-signer after certain number of on-time payments

* Some lenders offer discounted interest rates to borrowers.

** Some lenders may pay all or part of the origination fee on behalf of Stafford loan borrowers. In addition, for Stafford loan borrowers, this fee is being reduced by ED every year until its eventual elimination in 2010.

*** Some guarantors, such as TG, or lenders may pay the federal default fee on behalf of Stafford or PLUS loan borrowers.

More information and questions

For more information about the various loan program options or for questions on these programs, contact TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

TG updates

Find out what TG is doing at NASFAA on *TG Online*

If you are attending the NASFAA conference in Seattle on July 5-8, have some fun with TG's Big Red Bag giveaway. TG representatives will be giving out Big Red Bags to conference participants at TG's booth #501. The bags — which are large enough to hold all of your conference materials — will have a yellow, numbered tag attached to each one.



Be on the lookout for other conference attendees carrying TG Big Red Bags. If you find someone carrying a bag with the same number as yours, return to the TG booth together and each of you will win one of ten grand prizes — an Apple® iPod® Shuffle™. In addition, if you find someone carrying a bag with a consecutive number to yours (ex. 5 and 6), return to the TG booth together and each of you will win a second prize.

TG's NASFAA training sessions

You won't want to miss out on the exciting and informative training sessions presented by TG representatives. TG experts will be presenting various industry and professional development sessions. To find out what TG is offering, visit the NASFAA conference page on *TG Online* at www.tgslc.org/nasfaa2006/index.cfm.

TG reception celebrating 25 years in student financial aid

Join TG for a reception to celebrate TG's 25 years of service to students and their families. Stop by for some food and drinks and stay to enjoy the music of a live jazz band while meeting and catching up with your colleagues and TG friends. The reception will be held on Thursday, July 6, from 6:30 p.m. to 8 p.m. in the Leonesa Room of the Grand Hyatt Seattle at 721 Pine Street.

More information

For descriptions of the training sessions TG will offer at NASFAA, to learn more about the reception, and to get the complete set of rules about the Big Red Bag giveaway, visit the NASFAA conference page on *TG Online* at www.tgslc.org/nasfaa2006/index.cfm.

Reporting Back: 1990



TG's Annual Report for 1990 tells the story of how, in a period of change, TG adjusted its structure and refocused its efforts on providing educational access, while expanding its services and continuing to be a leader in technological innovation and industry expertise – including the premier of *Shoptalk*. The following are highlights of that story:

TGSLC's growth into the nation's fourth largest state guarantee agency (with more than \$1.9 billion in outstanding loan guarantees) made it necessary for us to restructure the corporation so that we could better manage a business enterprise of TGSLC's size and stature. The sudden increase in the number of higher-risk loans in our portfolio during the two previous fiscal years required that we continue to take decisive action to control our portfolio mix and prevent fraud and abuse. And the increasingly competitive nature of our business demanded that we become more sophisticated in the services we developed and the ways in which we presented them...

We revitalized our management team and created two new divisions (Marketing and Information Systems Services). We undertook an aggressive program of compliance reviews that (when coupled with new federal regulations regarding high-risk SLS loans) had a dramatic impact on protecting the integrity of the Guaranteed Student Loan program. And we became more aggressive in marketing services (like our Loan Information Network Clearinghouse software and new Texas Two-Step application form) that sped up the loan origination process and increased our electronic ties with lenders and schools...



New methods for collecting defaulted student loans and for targeting expenses enabled us to increase default collections by 61 percent (to a record \$27.58 million) and to cut our FY 1991 operating budget by \$1.3 million — but these achievements are significant only in that they help us protect the integrity of our guarantee and keep credit markets open to our student and parent borrowers...

TGSLC expanded access to its programs in Fiscal Year 1990, adding 20 new lenders and 49 new schools to our list of eligible institutions. We also sought to increase the public's awareness of the availability of financial aid for higher education by providing speakers for "College Nights" at high schools throughout Texas and by providing high school guidance counselors with over 135,000 free copies of *A Practical Guide to Financing Your Future*, TGSLC's general information booklet about the Title IV student financial assistance programs... At the end of the fiscal year, TGSLC also expanded its area of service to include Arkansas, Louisiana, Oklahoma, and New Mexico (provided the loan is made by a Texas-based lender)...

In FY 1990 we faced many challenges, and we went through what was, at times, a difficult period of adjustment. But, as a result of these experiences, we "grew up" — we matured — as a Corporation.

Trends and issues

Question of the week

Q. If a borrower includes a spousal Consolidation loan*, or a PLUS loan for which the borrower obtained an endorser or co-maker, in a Federal Consolidation loan, does that effectively release the endorser or co-maker of any repayment liability?

*Assuming that the borrower is consolidating the spousal Consolidation loan and at least one other eligible federal education loan

A. Yes. Upon disbursement of the new Consolidation loan, the underlying loans are paid in full through consolidation. This means that, where applicable, the co-maker of an underlying PLUS or spousal Consolidation loan is no longer jointly and severally liable for that debt, and the endorser of an underlying PLUS loan is no longer secondarily liable for that debt. The borrower of the new Consolidation loan will now have new loan terms and conditions under the Federal Consolidation Loan Program and will be solely responsible for repaying the full new Consolidation loan balance.

Do you have a question?

If you have a question that needs an answer, feel free to *Ask TG*[™]. *Ask TG* is TG's online query tool for borrowers, schools, and lenders. *Ask TG* includes a database of frequently asked questions about financial aid, student loan processing, and TG's products and services. To submit a question to *Ask TG*, visit <http://tgslc.custhelp.com>.

Legislative update

The June 16 issue of TG's *Legislative Report* includes Congressional Democrats' Priorities for 110th Congress, and highlights of the FY07 Labor, HHS, Education Appropriations Bill as Reported from the House Appropriations Committee. Keep up with the latest developments by reading the full report on *TG Online* at www.tgslc.org/lege_report/index.cfm.

This, that, and the other

Are your students tired of studying Spanish, French, and other foreign languages commonly offered on college campuses across the country? A recent *New York Times* article states that the study of the Gaelic language, better known as Irish, is gaining popularity in the U.S. and in Ireland, where most of the country's people have bemoaned their native language's long strings of "seemingly unpronounceable consonants."

Of the 51 universities outside of Ireland offering Gaelic, 29 are in the U.S., including Notre Dame University, where most of the students studying the language are of Irish decent. The resurgence in interest is attributed to the fact that Gaelic appeals to students who are interested in linguistics, the preservation of indigenous cultures, or the role languages play in international politics. And there are those who simply like Irish culture.

Notre Dame first taught the language in the 1860s, but stopped offering courses in the 1950s. It restarted the program in 1994, and student interest has risen to 296 from 114 in the past three years.

To read the June 14 article, visit

www.nytimes.com/2006/06/14/nyregion/14irish.html?_r=1&oref=slogin



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