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Tip^{of} the Week

Not receiving your weekly edition of *Shoptalk Online* on a regular basis? Your spam filter may be removing it from your In-Box.

To get your spam filter to recognize your subscription, please add our "From" address (webmaster@tgslc.org) to your address book.

Federal updates

ED issues implementation guidance on HERA related changes

On Tuesday, June 20, 2006, the Department issued Dear Colleague Letter (DCL) GEN-06-10 providing additional guidance to institutions about changes resulting from the Higher Education Reconciliation Act (HERA) of 2005. The DCL outlines institutional responsibility and ED action that is required in order to implement certain changes required by the HERA.

Topics addressed in GEN-06-10 include:

- Definition of estimated financial assistance (EFA)
- Construction of a student's cost of attendance (COA)

- Treatment of qualified education benefits, such as 529 pre-paid tuition and savings plans
- Calculation of an applicant's expected family contribution (EFC)
- Treatment of certain assets and resources
- Including active military members in the definition of an independent student
- Student eligibility related to drug provisions

Of particular note

GEN-06-10 elaborates on the treatment of qualified education benefits, and clarifies that "If an institution is aware that an independent student (or spouse) or the parents of a dependent student own a qualified education benefit, it must ensure that the value of the plan is correctly included as an asset in the calculation of the student's EFC." If the independent student (or spouse) is the account holder, the value of the plan must be reported as an asset of the student; if the parent is the account holder, the value of the plan must be reported as an asset of the parent; if someone whose information is not included on the FAFSA, such as a grandparent or non-custodial parent, is the account holder, the value of the plan is not reported—unless the school has determined that it should be reported on the FAFSA per the use of professional judgment (on a case-by-base basis).

The DCL also clarifies that "the value of the asset that must be reported on the FAFSA is, for savings plans or savings accounts, the balance of the account at the time the FAFSA is completed" and "the value [of the prepaid tuition plan] is the 'refund' value of any tuition credits or certificates purchased under the qualified education benefit... [i.e.,] the amount the owner of the plan would receive if the account were liquidated as of the date the asset is reported." *Shoptalk Online Edition 355* had previously stated that "distributions" of a prepaid tuition plan must be reported on the FAFSA—however, the DCL clarifies that it is not the distributions of the plan but the plan's 'refund' value that must be reported.

More information

To access GEN-06-10, visit <http://ifap.ed.gov/dpccletters/GEN0610.html>.

For questions about DCL GEN-06-10, contact TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

ED releases guidance on HERA for foreign schools

Last week, ED released a Dear Colleague Letter (DCL) that highlights issues of particular interest to foreign schools, and provides information on foreign school reporting requirements. Among the topics covered in GEN-06-11 are the ineligibility of telecommunications programs offered by foreign schools, changes in FFELP direct disbursement rules, verification of enrollment for direct disbursements, and general disbursement requirements. Also included is information about the availability of a

new reporting feature in the E-APP, the methods a foreign school may use to obtain a valid Student Aid Report, referrals to ED's Office of Inspector General, and a reminder of the foreign school's responsibility to submit annual compliance audits and financial statements.

GEN-06-11 also announces the creation of FSA COACH for Foreign Schools (available at www.ed.gov/fsacoach/foreignschools), and notes that once final regulations regarding the changes under HERA have been published, ED will mail a copy of those regulations to all foreign schools.

How TG will help

TG is committed to ensuring that all of our business partners, in the U.S. and beyond, have access to the most accurate and timely information and guidance available. We are aware of the communications difficulties facing our foreign business partners, and are taking a proactive role in disseminating this information as efficiently as possible. TG's loan guarantee operations/data reporting and compliance administrative operations are leading this effort by sending an e-mail to the designated contact listed in the Postsecondary Education Participants System (PEPS) for each foreign school. The e-mail will contain a summary of the DCL, along with links to the online versions of the DCL and the text of the HERA, and TG contact information if the school official needs assistance.

More information

To access GEN-06-11, visit <http://ifap.ed.gov/dpccletters/GEN0611.html>.

If you have questions about DCL GEN-06-11, please contact Bonnie Brinkley, assistant manager for TG loan guarantee operations/data reporting, at bonnie.brinkley@tgsic.org.

CCI forms revised as a result of HERA changes

Recently, NCHelp announced that Common Claim Initiative (CCI) forms were revised to incorporate changes resulting from the Higher Education Reconciliation Act (HERA) of 2005. The revised forms include the FFELP Default Aversion Assistance Request (DAAR) form, the FFELP Claim Form, and the FFELP Supplemental Claim Form.

In addition to including modifications necessary as a result of the HERA, the Default Aversion and Claim Subcommittee (DACS) included a borrower e-mail address field in the demographic information section of the DAAR form. This change is consistent with the similar addition of the e-mail address field in the Master Promissory Notes. Discussions are currently taking place in an effort to align the electronic exchange through Common Account Maintenance (CAM) with the revised DAAR form.

The revised CCI forms are available for immediate use with an effective date of July 1, 2006. PDF versions of the forms can be found on *TG Online* at <http://www.tgslc.org/forms/index.cfm>.

More information

For more information about the revised CCI forms, call Ron Stroud, TG assistant vice president of claims, at (800) 252-9743, ext. 4779, or send an e-mail message to ron.stroud@tgslc.org.

TG updates

Update on TG's implementation of Grad PLUS

TG's business partner services team has been working diligently since the signing of the Higher Education Reconciliation Act (HERA) of 2005 to integrate Grad PLUS loan processing and other changes due to HERA provisions into TG's products and services. We would like to provide an update on TG's plan to accommodate this new loan type with our business partners.

July 1 is the day that processing of Grad PLUS loans will begin. This new loan type will be integrated in two phases:

- Phase I concerns AdvanTG Web™, which has been completed as of June 25, 2006; and
- Phase II concerns TG Loans By Web™ (LBW) and TG PLUS Credit Connection™ (PCC), which are targeted for completion by September 15, 2006.

Phase I includes all of the core Grad PLUS functionality related to AdvanTG Web to include applications, loans, change transactions, and electronic funds transfer (EFT) processes as well as reporting.

Phase II will include all of the LBW components necessary to accommodate Grad PLUS functionality within the LBW application.

AdvanTG Web changes

Here is an overview of important points regarding completed tasks and upcoming changes pertaining to the Grad PLUS program and other HERA-related provisions:

- TG has already completed all of the work related to the required addenda for the Stafford and PLUS loan Master Promissory Notes. Borrowers have the ability to print these documents from LBW (for Stafford and PLUS). In addition, TG is including the addenda in our application packets for our Application Printing and Processing Services (APPS) customers. The June 25, 2006, release of AdvanTG Web accommodates the printing of these addenda and Master Promissory Notes for both application types.

- Upon implementation, AdvanTG Web will accommodate a complete life of the loan process for Grad PLUS, allowing our AdvanTG Web customers to import and create applications and post disbursement change transactions, as well as everything in between.
- This also means that schools using financial aid management systems that are not capable of accommodating the new loan type of GB (for Grad PLUS) may still use AdvanTG Web for processing applications and receiving loan responses.
- All AdvanTG Web reports will be updated and will accommodate Grad PLUS loans.

An important note for LBW schools

TG would like to highlight for LBW schools that LBW will not be available for Grad PLUS applications until September. Since LBW will not accommodate Grad PLUS processing until Phase II of TG's implementation plan is complete, schools will not be able to save the application for retrieval on LBW as is currently done. **Instead, LBW schools will need to certify Grad PLUS applications and submit them individually through AdvanTG Web for guarantee.** A school also has the option to move temporarily to a batch guarantee process in order to submit the Grad PLUS applications en masse to TG for guarantee.

Furthermore, LBW schools will need to import, create, or edit Grad PLUS applications with the lender ID. For more information on how to process Grad PLUS for LBW schools, please download the training document titled "TG's Plan to Implement Grad PLUS" from *TG Online* at <http://www.tgslc.org/resources/lweb.cfm> (located on the right column of the page).

More information

Please contact your TG account executive if you have any questions, or you may e-mail the TG product support team at product.support@tgslc.org.

Doors opening: It's NASFAA conference time!



Next week, more than 3,000 financial aid professionals are estimated to arrive in Seattle for the NASFAA National Conference, scheduled for July 5-8 at the Washington State Convention and Trade Center. Several of TG's own team members will be in attendance to meet friends old and new, deliver innovative training experiences, and demonstrate how TG cares through its products and services and commitment to customer service.

If you will be attending, you will have several opportunities to experience TG throughout the days

of the conference.

Visit TG's booth, claim your bag, and meet new friends

When you visit TG's booth (#501), be sure to have some fun with TG's Big Red Bag giveaway. TG representatives will give out Big Red Bags to conference participants. 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 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 also win a prize.

Participate in one of our training sessions

You won't want to miss out on the exciting and informative training sessions presented by TG representatives. TG experts will present 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.

Join us for a reception celebrating 25 years

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 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, download a flyer to share with other attendees, 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: 1991



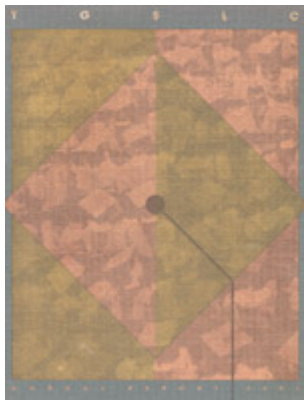
TG's Annual Report for 1991 looks back at TG's previous report as a standard for judging that year's success, discovering that Fiscal Year 1991 was a year of outstanding success for TGSLC. Here are some highlights from that report, focusing on "The Everyday Business of Building Futures:"

In our FY '90 Annual Report, we told our customers that we would continue efforts to shift our portfolio to a more stable "mix" of low- and high-risk loans. In 1991, we reported that 81% of the loans we guaranteed during FY '91 were low-risk loans. What makes this achievement so significant is that we were able

to accomplish it while increasing loan volume. During FY '91, TGSLC guaranteed \$706.4 million in new loans, up from the \$703.7 million guaranteed in the previous fiscal year.

However, "hidden" in what appears to be a modest increase in loan volume is an extraordinary figure: in FY '91, TGSLC reported a 23% (\$102 million) increase in low-risk volume through its two- and four-year schools.

Our FY '90 Annual Report stated that we would increase the electronic ties with our lender and school partners by introducing more of them to our LINC (Loan Information Network Clearinghouse) electronic process. Our goal was to sign up 16 new LINC customers. We signed 73...



We promised to continue our public awareness campaign about PLUS Loans, making parents of all incomes aware of this valuable low-interest loan program that can help them pay for their children's college education. Our goal was to increase our PLUS Loan volume by \$8 million. We increased it by \$15 million...

Helping students prevent defaults was high on our list of priorities. In pursuit of this goal, we installed additional toll-free "800" numbers and Automatic Call Distribution (ACD) units in our Default Prevention and Collections departments, increasing the number of borrower contacts by 54%; enhanced our skip-tracing efforts to locate "missing" borrowers; created a special Recovery Unit to work with defaulted borrowers prior to the payment of a claim; and began a re-write of our preclaims system that will help us more accurately track and manage our default prevention efforts...

We went out on a limb in our FY '90 Annual Report, unveiling our most ambitious undertaking to date: an electronic network of services (under the working title "TG-Net") that would dramatically reduce the amount of paperwork our customers would have to handle when managing their student loans. TG-Net soon became "TexNet" (The Texas Electronic Exchange Network) and, by the end of FY '91, TexNet pilots in electronic funds transfer, destination point processing, enrollment reporting, and pre-purchase verifications were underway.

Trends and issues

TG and Nebraska education leaders explore future of higher education

Representatives from all sectors of education met on the campus of the University of Nebraska — Lincoln (UNL) earlier this month to focus on the future of higher education and how to anticipate and meet students' needs through 2020 and beyond.

TG, along with the department of educational administration at UNL, co-hosted the forum attended by 38 participants representing K-12 schools, community colleges, public and private colleges and universities, and the executive director of the state's Postsecondary Coordinating Commission.

"We wanted to offer this forum to encourage discussion and strategy development within and among all of the various educational entities," said Brent Cejda, associate professor of educational administration at UNL and coordinator of the event. "This forum provided a context for all of us to look for win-win situations that can enhance the educational experience for students across all levels."

The forum's focus

During the forum, the discussion centered on four main areas that the participants felt would have significant impact on education over the next 20 years:

- The teaching/learning environment
- Students' cultural backgrounds and their effects on participation rates
- Higher education recruitment, retention, and time-to-degree
- Development and use of technology

"Throughout the discussion, several themes kept emerging," said Cejda. "Of primary importance is the continuing need to collaborate and cooperate with each other so that students can progress from K-12 through higher education as seamlessly as possible. We also looked at the ways that students are changing and the ways that their educational needs are also changing."

For example, Cejda noted that a growing number of individuals are returning to community colleges, after already having attained a bachelor's degree, looking for specific courses for personal enrichment or professional certification. These students have very different needs than those who come to a community college through a traditional post-K-12 avenue. In addition, students from rural areas may not have access to a traditional campus, but may be served better by distance education opportunities.

In both cases, technology can play a major role in the student experience. But these technologies (and the processes that they serve) need to be more uniformly aligned with the student's needs.

TG's commitment to increasing access

Sue McMillin, TG president and CEO, echoed the significance of the forum. "It is not only fitting but imperative that we take time to discuss the future of higher education given what we know about how much a college education influences the future of both individuals and society. We look forward to a continued dialogue and the actions that will result," she commented.

More information

A report on the outcomes and recommendations from both forums will be available by Sept. 1, 2006, from TG's Web site, *TG Online*, at www.tgslc.org.

Question of the week

Q: Could a graduate or professional student who has been awarded Stafford and Grad PLUS loans for the same loan period decline the Stafford loan and borrow all loan funds for the period under the Grad PLUS program?

Example: A graduate student's cost of attendance is \$30,000. The school awards the student \$18,500 in Stafford loan funds and \$11,500 in Grad PLUS loan funds (the student has no additional resources). Can the student decline the Stafford loan and borrow the full cost of attendance (\$30,000) in Grad PLUS loan funds?

A: Yes. Although per Dear Colleague Letter (DCL) FP-06-05, a graduate or professional student is required to *apply* for Stafford loan funds (and does so by completing the FAFSA) before the student can obtain a Grad PLUS loan, the student is not required to *borrow* any Stafford loan funds before the student can obtain a Grad PLUS loan. Thus, while most students will maximize their Stafford borrowing ability before borrowing Grad PLUS loan funds, a student who has been awarded under both programs for the same loan period may decline to borrow under the Stafford Loan Program, and, if the student does so, the student may borrow those declined funds under the Grad PLUS program instead.

DCL FP-06-05 states that a student may borrow a Grad PLUS loan up to the student's cost of attendance minus estimated financial assistance. In the example above, the student, who has no other resources, has declined the \$18,500 Stafford loan, leaving the student with no estimated financial assistance; therefore, the student may borrow the full cost of attendance, or \$30,000, in Grad PLUS loan funds.

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 22nd issue of TG's *Legislative Report* includes an update on the proposed Stop Over-Spending (S.O.S.) Act of 2006 introduced by Senate Budget Committee Chairman Judd Gregg (R-NH), and how student financial aid programs would be

affected, as well as a notice on the passing of the fourth extension of the Higher Education Act. 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

TG offices will be closed on Tuesday, July 4, in observance of the Independence Day holiday. In addition, *Shoptalk Online* will not be published on that day. The next issue of *Shoptalk Online* will be published on Tuesday, July 11, 2006.

We at TG wish everyone a happy and safe holiday.



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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.

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