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Tip^{of} the Week

Changes to student loan consolidation became effective on July 1. Visit TG's *Consolidation Station* at www.tgslc.org/borrowers/consol.cfm to learn more.

TG updates

Loss of customer information update: Privacy Information Call Center hours modified

Effective tomorrow, July 19, TG will change the hours of operation for the dedicated Privacy Information Call Center from 7 a.m. to 7 p.m. (CT) to 8 a.m. to 5 p.m. (CT). TG also will eliminate the Saturday call center schedule after Saturday, July 15.

TG established the toll-free Privacy Information Call Center at (800) 530-0626 to assist customers who were affected by the recent loss of private data by one of our vendors. All of us at TG regret the frustration and concern this recent equipment and data loss may cause our customers.

TG now has completed the formal notification mailing to individuals who were affected by this incident.

More information

Copies of the notification letters and other information that may be helpful to borrowers in learning more about the incident, what steps to take if they feel their personal information is at risk, and continuously updated FAQs and other information can be found on *TG Online* at www.tgslc.org/resources/customerdata.cfm.

2007 Financial Aid Leadership Symposium announced

TG will host its 2007 Financial Aid Leadership Symposium from February 5 – 9 at the TG Campus in Round Rock, Texas.

The Symposium is a week-long professional development workshop specifically designed to enhance the leadership skills of mid-level managers in college and university financial aid offices.

Unlike other leadership training opportunities, TG's Financial Aid Leadership Symposium applies the building blocks of leadership — vision, trust, motivation, teamwork, and embracing change — within the context of the student financial aid community.

Participants will study key leadership principles in interactive sessions and apply the concepts to real-world financial aid office issues presented by fellow Symposium participants.

The 2006 Symposium

TG's first Financial Aid Leadership Symposium, held in February, was a success with the 16-member cohort of student financial aid leaders from across the country. Members carried the spirit of the symposium back to their respective home schools and developed an e-mail network to share best practices and provide feedback on issues that they all face.

"Last year's cohort was an incredibly motivated group who developed a tremendous amount of synergy during the symposium," said Tom Rebstock, TG customer training team leader. "In fact, two of them have since been promoted to financial aid director at their institutions."

How can I attend the 2007 Symposium?

To enhance the hands-on learning environment, enrollment in the Symposium is limited to a small, diverse cohort of selected applicants.

To apply, you may download the application forms from *TG Online* at www.tgslc.org/training/leaders.

The application deadline is **December 1, 2006**.

The fee for the symposium is \$1,000 per participant. The fee includes the full week of classes and materials, as well as hotel accommodations and selected meals.

More information

To learn more about TG's Financial Aid Leadership Symposium, visit *TG Online* at www.tgslc.org/training/leaders or contact Tom Rebstock at (800) 252-9743, ext. 2835, or send an e-mail message to tom.rebstock@tgslc.org.

TG's training presentations a hit at NASFAA

TG's participation at this year's NASFAA conference from July 5 – 8 in Seattle was one of our most successful, with hundreds attending TG's training presentations.

Each year, TG hosts several training sessions at NASFAA. This year was no different, with six training sessions presented throughout the conference.

Kelly Kaelin, TG senior policy advisor, co-presented Regulatory Perils for Graduate and Professional Aid Administrators with Emily Attridge, director of financial aid institutional research at Stetson University College of Law in Florida.

Every year, NASFAA offers a training presentation targeting regulatory issues that affect graduate and professional school aid administrators. This year, instead of offering the session in a standard regulatory lecture format, Kaelin and Attridge tried something a little different by turning the training session into an interactive, game show-like presentation.

"The training covered provisions from the recently passed Higher Education Reconciliation Act that is relevant to grad and professional aid administrators, so it was timely and practical, but it was also fun," Kaelin said. "The format kept the audience engaged in the session."

Tom Rebstock, customer training team leader in TG's business partner services, offered a perennial favorite at NASFAA, Best Practices in Customer Service for Financial Aid Professionals. A panel of guests from four-year public and private universities, two-year colleges, and for-profit schools each offered three or four of their best practices for improving customer service in the financial aid office.

"About 60 people attended the panel discussion," Rebstock said. "And if each of them took away just one best practice they could use back at their school, it was well-worth their hour of time."

More information

Handouts from these presentations are available on the NASFAA Web site at www.nasfaa.org/subhomes/AnnualConference2006/handouts.html.

To learn more about training available through the TG Speakers Bureau and how to request a training event at your institution, visit *TG Online* at www.tgslc.org/speakers/index.cfm.

Reporting Back: 1992



The early '90s was a time of significant change in the student loan industry, and TG's Annual Report for 1992 reveals a company focused on continuing its tradition of service and innovation, while adapting to a "new vocabulary" that included direct and unsubsidized loans, a common application, and the standardization of forms.

Here are some of the achievements from that year:

- TG guaranteed a net volume of \$620.2 million in new loans, a 5 percent increase over the prior fiscal year.
- Over the past two years, TG outlined its strategy for reducing its exposure to student loan defaults and confidently predicted that "fiscal year 1991 will be the last year of heavy default exposure for TG." A review of the numbers shows just how accurate that prediction was. In FY 1992, claims payments decreased to \$216 million from a record \$244 million in FY 1991. Preliminary statistics for FY 1993 confirm this continued drop in student loan defaults.
- TG continued its commitment to using technology to enhance personal service this year. TG automated the loan origination process by encouraging lenders and schools to use its LINC software. During FY 1992, 47 additional schools and lenders entered production with LINC, bringing the total to 160 institutions using the software. As a result, 84 percent of all loans that TG guaranteed in FY 1992 were transmitted electronically.
- LINC users are able to take advantage of one of TG's newest service, ExpressFunds or Electronic Funds Transfer (EFT). By the end of the year, \$42 million and 31,000 individual disbursements had been handled through the new process.
- Team members from TG's data center ensured that TG's systems were "up and running" during business hours more than 99 percent of the time — with few interruptions experienced during peak processing times.
- During the fiscal year, our communications and corporate services areas received more than 2,500 orders and shipped out more than 1.5 million forms and publications.
- TG dramatically reduced its cost to produce these forms when it established an in-house print shop. Presses began rolling in March and, by the end of the year, the shop had produced more than 600,000 pieces — at a significant savings to the corporation.

Trends and issues

Question of the week

Q. Must a school perform verification on a transfer student whose previous school verified the student's information within the same award year?

A. No. The 2006-07 *Federal Student Aid Handbook* Application and Verification Guide states that a student who was previously verified for the current award year does not need to be re-verified. However, the new school must obtain documentation from the school that completed the verification containing the following:

- A statement that the student's application data have been verified,
- The transaction number of the verified application, and
- The reasons why the new school wasn't required to recalculate the student's EFC, where applicable.

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. It 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>.

Common Manual

Common Manual updates

On June 15, guarantor representatives approved several changes to the *Common Manual*. Details on these changes and a newly updated *Integrated Common Manual* incorporating the changes are now available online at www.tgslc.org/resources/integrated_online_manual.cfm. Following are summaries of the latest policy changes.

Consolidation Loan Eligibility for Married Couples

The *Common Manual* has been revised to comply with statutory changes derived from the Higher Education Reconciliation Act of 2005 by eliminating the option for a married couple to consolidate their eligible loans jointly.

Affected Sections:

- Chapter 15 Introduction
- 15.1.A Agreement to Guarantee Federal Consolidation Loans
- 15.2 Borrower Eligibility and Underlying Loan Holder Requirements
- 15.3.B Completing the Application

Effective Date: Federal Consolidation loan applications received by the lender on or after July 1, 2006.

Basis: Higher Education Act of 1965, Section 428C(a)(3)(C), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.

Policy Information: 868/Batch 131

Guarantor Comments: None.

Disbursement Rules

The *Common Manual* has been updated to include the revised disbursement requirements derived from the HERA, as follows:

- The lender, at the request of a student enrolled in a study-abroad program that is approved for credit by the home institution, must disburse loan funds directly to the student or pursuant to an authorized power of attorney, *only after* the student's enrollment is verified by the lender or the guarantor. Loan disbursement may be made directly to a student enrolled in a foreign school *at the school's request* after the student's enrollment is verified by the lender or guarantor. Students enrolled in foreign schools may not execute a power of attorney for the purpose of endorsing their FFELP loan disbursement.
- Foreign schools are no longer automatically exempt from the delayed delivery and multiple disbursement requirements but may be exempted based on low cohort default rates.
- The delayed delivery requirement and the single-term multiple disbursement requirement will be waived for schools that have a cohort default rate of less than 10 percent for each of the three most recent fiscal years for which data are available.

Affected Sections: 6.4.A Multiple Disbursements and Exceptions

7.7 Loan Origination

7.7.B Multiple Disbursement

7.7.C Disbursement by Individual Check

7.7.E Disbursement for Students in Study-Abroad Programs or Foreign Schools

8.7.D Delayed Delivery

Effective Date: The new rules for direct disbursement to students enrolled in foreign schools and study-abroad programs are effective for loans first disbursed on or after July 1, 2006.

The requirement for foreign schools to comply with the multiple disbursement and delayed delivery requirements is effective for loan periods beginning on or after July 1, 2006.

The waiver of the multiple disbursement rule for schools with cohort default rates of less than 10 percent for each of the three most recent fiscal years for which information is available is effective for any disbursement made on or after February 8, 2006.

The waiver of the delayed disbursement rule for schools with cohort default rates of less than 10 percent for each of the three most recent fiscal years for which information is available is effective for any disbursement made on or after February 8, 2006.

Basis: Higher Education Act of 1965, Sections 428(b)(1)(N), 428G(a)(3), 428G(b)(1), and 428G(e), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.

Policy Information: 870/Batch 131

Guarantor Comments: None.

Student Eligibility

The *Common Manual* has been updated to state that a student who has been convicted of a state or federal drug-related offense that occurred while the student was enrolled in school and receiving Title IV aid is not eligible for Title IV funds.

Affected Sections: 5.1.B Student Eligibility Requirements
5.7 Effect of Drug Conviction on Eligibility

Effective Date: For loan periods beginning on or after July 1, 2006.

Basis: Higher Education Act of 1965, Section 484(r)(1), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05.

Policy Information: 871/Batch 131

Guarantor Comments: None.

Lender Disbursement through an Escrow Agent

The *Common Manual* has been revised with statutory changes derived from the Higher Education Reconciliation Act of 2005. Revised policy requires a lender that disburses loan proceeds through an escrow agent to require the escrow agent to disburse the loan proceeds no later than 10 days after the agent receives the proceeds from the lender.

Affected Sections: 7.7 Disbursing the Loan

Effective Date: Loan proceeds paid by a lender to an escrow agent on or after July 1, 2006.

Basis: Higher Education Act of 1965, Section 428(i)(1), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.

Policy Information: 872/Batch 131

Guarantor Comments: None.

When Federal Interest Benefits Will Be Paid

As a result of statutory changes derived from the Higher Education Reconciliation Act of 2005, the *Common Manual* has been revised to state that if a loan is disbursed through an escrow agent, the lender may begin accrual of interest benefits no earlier than three days before the date of the first disbursement of the loan. For these purposes, disbursement means disbursement to the school or direct disbursement to the borrower.

Affected Sections: A.1.B When Federal Interest Benefits Will Be Paid

Effective Date: Loan proceeds paid by a lender to an escrow agent on or after July 1, 2006.

Basis: Higher Education Act of 1965, Section 428(a)(3)(A)(v), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.

Policy Information: 873/Batch 131

Guarantor Comments: None.

Reduced Claim Payment Rate on Default Claims

The *Common Manual* has been amended to comply with statutory changes that reduce the amount of insurance paid on a default claim submitted by a non-exceptional performer lender or servicer on loans first disbursed on or after July 1, 2006. The guarantor will pay a default claim on such a loan at a rate of 97 percent of outstanding principal and eligible interest.

The *Common Manual* also has been amended to comply with statutory changes that reduce the amount of insurance paid on a default claim submitted by an exceptional performer lender or servicer to 99 percent of outstanding principal and eligible interest on default claims submitted on or after July 1, 2006. The guarantor will pay a default claim submitted by an exceptional performer lender or servicer prior to July 1, 2006, at the previous rate of 100 percent of outstanding principal and eligible interest.

Affected Sections: 3.9 Exceptional Performer Designation
13.3.A Claim Payment Amount
13.3.B Amount of Interest Purchased on Eligible Claim
13.3.C Amount of Interest Purchased on Returned Claims
13.4 Requests for Increase in Claim Payment

Effective Date: Default claims submitted by a non-exceptional performer lender on loans first disbursed on or after July 1, 2006.
Default claims submitted by an exceptional performer lender on or after July 1, 2006.

Basis: Higher Education Act of 1965, Sections 428(b)(1)(G) and 428I(b)(1), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.

Policy Information: 874/Batch 131

Guarantor Comments: None.

Rehabilitation of Defaulted Loans

The *Common Manual* has been updated to reflect that a borrower is eligible to rehabilitate a defaulted loan after making nine full monthly payments that are received by the guarantor or its contracted vendor within 20 days of the due date during a period of 10 consecutive months.

Affected Sections: 5.2.E Prior Default
13.7 Rehabilitation of Defaulted Loans

Effective Date: Loan rehabilitation agreements beginning on or after July 1, 2006. Guarantors have the option of considering borrowers to have met the new rehabilitation standard if at least one of the borrower's payments under the rehabilitation agreement is made on or after July 1, 2006.

Basis: Higher Education Act of 1965, Section 428F(a)(1)(A), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.

Policy Information: 875/Batch 131

Guarantor Comments: None.

School as Lender Changes

A school must have been eligible to be a school lender as of February 7, 2006, and must have made a loan(s) on or before April 1, 2006, to participate as a lender in the Federal Family Education Loan Program (FFELP) on or after July 1, 2006. The

Common Manual has been updated to include the revised school-as-lender criteria derived from the Higher Education Reconciliation Act (HERA) of 2005, as follows:

- The HERA revises the requirement that the school not make loans to more than 50 percent of its undergraduate students by limiting lending to graduate and professional students.
- The HERA eliminates the requirement that the school not make a loan to an undergraduate student unless the student provides evidence that he or she was denied a loan by a commercial lender.

Schools are not permitted to make loans to undergraduate students under the new provisions, so limitations on undergraduate lending are no longer necessary.

The following rules apply to schools acting as lenders in the FFELP on or after July 1, 2006:

- The school must not be a home-study school.
- The school may make subsidized and unsubsidized Stafford loans only to its graduate and professional students.
- The school may not make PLUS loans or Consolidation loans.
- The school is permitted to make loans only to its graduate and professional students.
- The school must offer origination fees or interest rates, or both, that are less than the statutory maximums for those fees or rates.
- The school must use the proceeds from its interest benefits and special allowance payments from the department and from interest payments from its borrowers, as well as the proceeds from the sale or other disposition of its loans, for need-based grant programs, except for reimbursement of reasonable, direct administrative expenses. The school must ensure that the proceeds from the FFELP loan portfolio are used to supplement the non-federal grant funding sources rather than substitute for funds from those other sources.
- The school must not have a cohort default rate that exceeds 10 percent for each of the two most recent fiscal years — unless it has received a waiver on this restriction from the Department.
- The school must award any contract for financing, servicing, or administration of its FFELP loans on a competitive basis.
- The school must submit to the Department an annual lender compliance audit for any year in which the school engages in activities as an eligible lender. This requirement applies regardless of the size of the school's loan portfolio or annual loan volume.

In addition, a correction to previous policy removes the requirement that the school separate its lending function from other school functions and that the school employ at least one person whose responsibilities are limited to the lending function. The requirement is revised to require that the school employ one person whose responsibilities are limited to the administration of financial aid programs for students attending that school.

Affected Sections: 3.2 Schools Acting as Lenders

Effective Date: In order to participate as a lender, the school must have met eligibility criteria as of February 7, 2006, and must have made a FFELP loan(s) on or before April 1, 2006.

New requirements are effective for schools acting as lenders on or after July 1, 2006.

The school lender must offer origination fees or interest rates, or both, that are less than the statutory maximums for those fees or rates for any loan first disbursed on or after July 1, 2006.

Basis: Higher Education Act of 1965, Section 435(d)(2), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.

Policy Information: 876/Batch 131

Guarantor Comments: None.

Teacher Loan Forgiveness Eligibility

The *Common Manual* has been revised to reinstate the previous increased teacher loan forgiveness amounts of up to \$17,500 for teachers in certain specialties and also reinstates the additional eligibility criteria that were imposed by previous legislation.

Affected Sections: 13.9.B Teacher Loan Forgiveness Program

Effective Date: October 1, 2005.

Basis: The Taxpayer-Teacher Protection Act of 2004, as amended by the Higher Education Reconciliation Act (HERA) of 2005.

Policy Information: 877/Batch 131

Guarantor Comments: None.

Teacher Loan Forgiveness Eligibility

The *Common Manual* has been revised to state that a teacher who is employed in a nonprofit private school and who is exempt from state certification requirements may have such employment qualify for loan forgiveness if the teacher can demonstrate rigorous subject knowledge and skills by taking competency tests in

the applicable grade levels and subject areas. The competency tests must be recognized by five or more states for the purpose of fulfilling the highly qualified teacher requirements, and the score achieved by a teacher on each test must equal or exceed the average passing score of those five states. If a nonprofit private school teacher is subject to state certification, the teacher is not required to further demonstrate the knowledge and skills noted in this paragraph or to take additional competency tests.

Affected Sections: 13.9.B Teacher Loan Forgiveness Program

Effective Date: Teacher Loan Forgiveness Applications received by the lender or guarantor on or after July 1, 2006.

Basis: Higher Education Act of 1965, Section 428J(g), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.

Policy Information: 878/Batch 131

Guarantor Comments: None.

Change in Stafford Loan Interest Rate

The *Common Manual* has been amended to comply with current statutory language that requires loans first disbursed on or after July 1, 2006, be a fixed interest rate of 6.8 percent, as a result of legislative changes reflected in Public Law 107-139, enacted in February 2002.

Affected Sections: 7.4.A Current Stafford Interest Rates
7.4.C Previous Stafford Interest Rates
Figure 7-1 Stafford Loan Interest Rates
10.3.A Length of the Grace Period

Effective Date: Stafford loans first disbursed by the lender on or after July 1, 2006.

Basis: Higher Education Act of 1965, Section 427A(l); Public Law 107-139.

Policy Information: 879/Batch 131

Guarantor Comments: None.

Federal Consolidation Loan Borrower Eligibility Criteria

The *Common Manual* has been corrected to clarify that in order to qualify for a Federal Consolidation loan, a borrower must certify that he or she does not have another Federal Consolidation loan or Direct Consolidation loan application pending.

Affected Sections: 15.2 Borrower Eligibility and Underlying Loan Holder Requirements

Effective Date: Federal Consolidation loan applications received by a FFELP lender on or after October 1, 1998.

Basis: §682.201(c)(1)(ii).

Policy Information: 880/Batch 131

Guarantor Comments: None.

Deferment Eligibility Chart

The Deferment Eligibility Chart (Figure 11-1) has been revised by removing the bullets that indicate that for PLUS loans made before 08/15/83 and before 07/01/87, a PLUS loan borrower who is seeking a deferment based on the status of the dependent student for whom the loan was obtained, qualifies for an in-school deferment if the student is attending school full time or half time.

Affected Sections: Figure 11-1 Deferment Eligibility Chart

Effective Date: None.

Basis: §682.210(c).

Policy Information: 881/Batch 131

Guarantor Comments: None

This, that, and the other

Some small American colleges, eager to attract men to increasingly female campuses, have taken notice of how many students can be lured to attend by adding football teams, reports *The New York Times*. Officials at these colleges say football can bring in more tuition-paying students than any other course or activity — and not just players themselves.

At a time when the image of major college football has been sullied by academic, recruiting and sexual violence scandals — and as some prominent colleges eliminate football to cope with federal gender equity regulations for athletics — many smaller institutions have embraced the sport. Since their football players generally do not receive scholarships and are not blue-chip recruits, officials at small colleges say the players tend to exhibit less of a sense of entitlement, leading to fewer academic and discipline problems.

In the last 10 years, nearly 50 colleges and universities have instituted or re-instituted football, with more than 80 percent in the small college ranks. In the same period, about 25 institutions have dropped football, the majority being scholarship-driven teams from the National Collegiate Athletic Association's top tier, Division I.

To read the July 10 article, visit

www.nytimes.com/2006/07/10/education/10football.html?_r=1&oref=slogin



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