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Tip^{of} the Week

Want to start of the new school year with training for your staff?

The TG Speakers Bureau has industry and professional development training to meet your needs. To learn more, visit

www.tgslc.org/speakers/index.cfm.

Federal updates

ED publishes interim final rules for the FFELP and other federal student aid programs

ED has published interim final rules, effective September 8, 2006, for the federal student aid programs, including the FFELP. The regulations are available in the August 9, 2006, *Federal Register* at <http://a257.g.akamaitech.net/7/257/2422/01jan20061800/edocket.access.gpo.gov/2006/pdf/06-6696.pdf>.

Why “interim” final rules?

Under normal circumstances, ED develops final rules, or regulations, through a process called negotiated rulemaking, in which ED and a committee of industry representatives negotiate the construction of regulatory language. According to the *Federal Register* notice, based on the exceptional circumstance of the enactment of the Higher Education Reconciliation Act of 2005 (HERA) in February of this year, ED has determined “that it is unnecessary and impracticable to either conduct negotiated rulemaking or notice-and-comment rulemaking on these regulations.” Instead, ED released these interim final rules and is requesting public comment on

them through September 8, 2006. After it reviews comments received from the public, ED "will publish final regulations with any necessary changes to be effective July 1, 2007."

Upcoming teleconferences

TG will be presenting two teleconferences on the substantive information from the interim final rules in the next couple of weeks. For more information, see the article "TG offers two free telephone conferences on the interim final rules," also in this edition of *Shoptalk Online*.

More information

For questions about these recently released regulations, contact TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

ED provides clarification on PLUS credit check timeframe

The National Council of Higher Education Loan Programs (NCHELP) recently posted in its *Daily Briefing* that it had received communication from ED concerning its policy regarding the timeframe in which a lender must request a PLUS loan borrower's credit report when determining adverse credit history. Recent industry buzz had indicated that ED was considering changing its policy to a specific timeframe; however, ED confirmed in its communication with NCHELP that schools and lenders should "continue to use current processes."

Current regulatory language pertaining to the PLUS credit check in 34 CFR 682.201(b)(2)(i) states that "The credit report must be secured within a timeframe that would ensure the most accurate, current representation of the borrower's credit history before the first day of the period of enrollment for which the loan is intended." The regulation does not specify the length of this timeframe.

More information

For more information on the PLUS credit check process, contact TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

TG updates

TG offers two free telephone conferences on the interim final rules

As announced in this edition of *Shoptalk Online*, ED released a regulations package on August 9, 2006, for the federal student aid programs, including the FFELP. As a result, TG would like to provide its school and lender partners with an summary of these rules, to help you understand how they coordinate with the legislation on which they are based (most of them are derived from the statutory changes due to

the Higher Education Reconciliation Act of 2005 [HERA]). Thus, TG invites you to join one of two free telephone conferences, titled "A look at the new interim final rules."

The events

We know that the timing of the release of these interim final rules is rather inconvenient for many institutions, as you are just gearing up for the beginning of the new school year. We also know that this isn't the ideal time for your staff to be sitting down for an hour (away from the multitude of students who require your attention) listening to a presentation. However, we know that you still want timely information, and we want to give you this information while trying to accommodate your need to provide maximum coverage at your institutions. Thus, we have scheduled two presentations, on separate days, and at different times of day, to provide you with scheduling flexibility. The teleconferences will be held on:

- Thursday, August 24, from 10:00 a.m. to 11:00 a.m. CST.
- Tuesday, August 29, from 2 p.m. to 3:00 p.m. CST.

The material provided in both telephone conferences will be identical. A brief question-and-answer session will follow each telephone conference. Participants may submit questions in advance of the events to viola.perez@tgslc.org.

The teleconference presenters will be Laura Kowalski, TG assistant manager of policy and regulatory affairs, and Kelly Kaelin, TG senior policy advisor.

To register

To participate in either teleconference, participants must pre-register with AT&T online by visiting www.att-rsvp.com, or by telephone at (877) 471-4350.

When pre-registering for the August 24 telephone conference, please reference Conference ID number 839849.

When pre-registering for the August 29 telephone conference, please reference Conference ID number 839852.

Each telephone conference is free of charge and open to participants from any institution.

More information

For more information, contact Viola Perez at (800) 252-9743, ext. 4507, or send an e-mail message to viola.perez@tgslc.org.

Reporting Back: 1994

The year 1994 found TG articulating a clear vision and recommitting to its core mission of assisting students to realize their dreams of higher education. Below are some highlights from that year's annual report:

Over the past two years unprecedented waves of change have pounded the student loan industry. Despite the storm — perhaps even because of it — TG has emerged stronger, more viable, and recommitted to a vision of helping all families and students realize their educational and career dreams.



The beginning of that change took root in TG's own efforts to refine our corporate vision and reestablish our corporate mission. Through a joint effort of members of our Board and senior management in 1994, we created a vision that drives us to become, "the premier source of information, financing, and assistance to help all families and students realize their educational and career dreams."

Working with our industry partners to bring about improvements to the student loan program has been one of TG's goals for several years. We've conducted information exchange programs, training seminars, and conferences for higher education finance industry professionals to help them stay current on policies, regulations, and operational methods and tools. Our 1994 Fall Conference, "Making a Difference by Design," brought together more than 300 financial aid professionals from Texas and throughout the nation to discuss issues facing the financial aid industry.

As a partner with schools and lenders, TG has taken an active role. Such was the case when we volunteered to test software developed for the National Student Loan Data System (NSLDS), a nationwide student loan database required under the 1986 reauthorization of the Higher Education Act.

New at the end of this fiscal year, students, or anyone else with Internet access, could send us questions at any time — day or night. Students who have classes all day and work at night can ask a question at 2 a.m. and expect an answer within 24 hours. People from as far away as England and the Yucatan have sent questions to our e-mail address cust.assist@tgsllc.org, and we've responded promptly, sending accurate answers to their e-mail addresses.

More than 196,000 students borrowed money for college in 1994 through loans guaranteed by TG. We approved a record net \$958 million in loans to students attending postsecondary schools in FY 94 — a 31 percent increase over the total amount of student loans we guaranteed in 1993... These efforts are part of our goal to make higher education available to all students. At TG, we are working in partnership with schools and lenders to make a difference for students [and] create our future together.

Trends and issues

Question of the week

Q: Is it possible for a student to receive federal student loans from multiple schools during the same loan period?

A: Yes. If a student is separately enrolled and meets eligibility criteria at more than one school, the student may receive Stafford and PLUS loans from multiple schools for the same loan period. The schools that the student is attending must work together to ensure that the student does not exceed his or her Stafford loan annual limit. Additionally, the schools must not duplicate non-institutional costs (e.g., room and board) in the student's cost of attendance and must not include aid received from other schools as a resource when packaging awards.

For more information about Stafford and PLUS loan awards at multiple schools, see the 2006-07 *Federal Student Aid Handbook*, page 3-66.

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>.

Common Manual

Common Manual updates

On July 27, 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* (ICM) incorporating the changes will soon be available online at www.tgslc.org/resources/integrated_online_manual.cfm (TG will announce the availability of the updated ICM in a future edition of *Shoptalk Online*).

Special Common Bulletin Distribution – Retraction of Proposal 867, Batch 130

Common Manual subsection 11.1.A has been revised to remove policy language inserted into the manual by proposal 867 in batch 130; the *Common Manual* Governing Board has approved the retraction of the common bulletin language associated with this policy as well. Based on concerns received from the FFELP community with the final policy language, the Policy Committee has determined that it would be beneficial to develop a community workgroup to address the issues raised on proposal 867. The manual's original policy language, as it existed before modifications made by proposal 867, remains. The manual now states that once a

borrower is considered to be a “new borrower” in the applicable category, the borrower remains eligible for deferment in that category on all subsequent loans. Once the loans that qualified the borrower as a “new borrower” in one category are paid in full (except through consolidation), the borrower will be eligible for deferment based on the provisions effective for new loans he or she obtains.

Affected Section: 11.1.A General Deferment Eligibility Criteria

Eligibility for a Subsequent Consolidation Loan

The *Common Manual* has been revised to incorporate HERA and the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery provisions. Revised policy clarifies that a borrower who currently has *either* a Federal *or Direct* Consolidation loan is not eligible for a subsequent Federal *or Direct* Consolidation loan unless one of the following conditions apply:

1. The borrower has obtained a new eligible loan after the date the existing Consolidation loan was made.
2. The borrower is consolidating an existing Consolidation loan with at least one other eligible loan, regardless of whether it was made before or after the date the existing Consolidation loan was made.

Revised policy also adds that a borrower may obtain a subsequent Direct Consolidation loan for the purpose of securing an income-contingent repayment schedule if the consolidation loan holder has requested default aversion assistance from the guarantor.

Affected Sections: 15.2 Borrower Eligibility and Underlying Loan Holder Requirements

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

Basis: Higher Education Act of 1965, Sections 428C(a)(3)(B)(I), as amended by the Higher Education Reconciliation Act (HERA) of 2005 and the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery 2006; Dear Colleague Letter GEN-06-02.

Policy Information: 869/Batch 131

Guarantor Comments: None.

Academic Year Definition

The *Common Manual* has been updated to incorporate changes derived from the HERA of 2005. This change reduces the minimum academic year requirement for a program of study measured in clock hours from 30 weeks to 26 weeks.

Affected Sections: 6.1 Defining an Academic Year

6.11.E Prorated Loan Limits

- Effective Date:** Loan periods beginning on or after July 1, 2006.
- Basis:** Higher Education Act of 1965, Section 481(a)(2), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05.
- Policy Information:** 882/Batch 132
- Guarantor Comments:** None.

Elimination of Request for Early Repayment

The *Common Manual* has been revised to reflect statutory changes derived from the HERA that eliminate a Stafford borrower's option of waiving all or a portion of his or her grace period in order to enter repayment early.

- Affected Sections:** 10.3 Grace Period
- Effective Date:** Stafford borrower requests for early repayment received by the lender on or after July 1, 2006.
- Basis:** Higher Education Act of 1965, Section 428(b)(7)(A), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.
- Policy Information:** 883/Batch 132
- Guarantor Comments:** None.

Federal Default Fee

The *Common Manual* has been updated to reflect the change from guarantee fee to federal default fee as made to the HEA through the HERA of 2005. A definition was added to the glossary that states that the federal default fee is collected either by deduction from the proceeds of the loan or from other nonfederal sources. The HEA requires that this fee equal one percent of the loan's principal. In addition, the glossary has been revised to define "guarantee fee" as a fee the guarantor was permitted to charge on a loan disbursed on or after July 1, 1994, and for which the date of guarantee of principal was before July 1, 2006.

- Affected Sections:** 7.8 Processing Guarantee Fees appendix G
- Effective Date:** Federal Stafford and PLUS loans guaranteed on or after July 1, 2006.
- Basis:** Higher Education Act of 1965, Section 428(b)(1)(H)(i) and (ii) and Section 428H(h), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.
- Policy Information:** 884/Batch 132

Guarantor Comments: None.

Fraud Charges and Title IV Eligibility

The *Common Manual* has been revised to state that a student or parent borrower who has been convicted of, or pleaded guilty or *has nolo contendere* to, a crime involving fraud in obtaining Title IV assistance is ineligible for additional Title IV funds until the student or parent, as applicable, repays the funds that were obtained fraudulently. Title IV grant funds that were obtained fraudulently must be repaid to the Department; Title IV loan funds obtained fraudulently must be repaid to the holder of the loan. The student or parent borrower's eligibility under this provision based on the certification provided in the Master Promissory Note (MPN). Regardless of the MPN certification, if either the school or the lender has conflicting information regarding the eligibility of the student or parent borrower, this discrepancy must be resolved before additional Title IV funds may be disbursed or delivered.

- Affected Sections:**
- 5.1.A General Borrower and Student Eligibility Requirements
 - 5.7 Effect of Drug Conviction on Eligibility
 - 5.8 Required High School Diploma or Equivalent
 - 5.9 Ability-to-Benefit Provisions
 - 5.9.A Testing ATB Students with Special Needs
 - 5.9.B School Liability in ATB Testing
 - 5.10 Student Enrollment Requirements
 - 5.11 Use of Telecommunications and Correspondence in Programs of Study
 - 5.12 Foreign Schools and Study-Abroad Programs
 - 5.12.A Study at Participating Foreign Schools
 - 5.12.B Study-Abroad Programs
 - 5.13 Eligibility Requirements Specific to Transfer Students
 - 5.13.A Financial Aid History for Transfer Students
 - 5.13.B Students Who Transfer after Full Disbursement of the Loan
 - 5.14 Multiple School Enrollment
 - 5.15 Ineligible Borrowers
 - 5.15.A Ineligibility Based on Borrower Error
 - 5.15.B Ineligibility Based on School Error

5.15.C Ineligibility Based on Lender Error

- Effective Date:** Loan periods beginning on or after July 1, 2006.
- Basis:** Higher Education Act of 1965, Sections 428B(a)(1) and 484(a)(6), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05.
- Policy Information:** 885/Batch 132
- Guarantor Comments:** None.

False Certification Due to Identity Theft

The *Common Manual* is being revised to add information about loan discharge for false certification due to a crime of identity theft. Until the date that the Department's applicable discharge regulations are effective, a lender may provide administrative forbearance on a borrower's potentially eligible loan(s) if a borrower presents evidence, on or after July 1, 2006, that the lender believes to be reasonably persuasive, showing that the borrower's loan(s) may have been falsely certified due to a crime of identity theft.

- Affected Sections:**
- | | |
|-------------|--------------------------------------|
| Figure 11-2 | Forbearance Eligibility Chart |
| 11.19.C | Closed School or False Certification |
| 13.8.D | False Certification |

- Effective Date:** False certification due to identity theft documentation provided to a lender on or after July 1, 2006.
- Basis:** Higher Education Act of 1965, Section 437(c)(1), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.
- Policy Information:** 886/Batch 132
- Guarantor Comments:** None.

Reduction of the Origination Fee

The *Common Manual* has been revised to state that the maximum origination fee that may be charged to a Stafford loan borrower will be reduced, and eventually eliminated, beginning July 1, 2006, as follows:

1. For a Stafford loan first disbursed on or after July 1, 2006, the maximum origination fee that a lender may charge is 2%.
2. For a Stafford loan first disbursed on or after July 1, 2007, the maximum origination fee that a lender may charge is 1.5%.
3. For a Stafford loan first disbursed on or after July 1, 2008, the maximum origination fee that a lender may charge is 1%.
4. For a Stafford loan first disbursed on or after July 1, 2009, the maximum origination fee that a lender may charge is 0.5%.
5. For a Stafford loan first disbursed on or after July 1, 2010, there will be no origination fee (the fee will be eliminated).

These reductions are not applicable to PLUS loans made either to parents or to graduate and professional students. The lender must charge the full 3% origination fee to any PLUS borrower.

- Affected Sections:** 3.5.A Federal Origination Fee and Lender Fee
7.9.A Collecting the Origination Fee
Figure 7-4 Examples of Calculating Guarantee Fee Refunds
- Effective Date:** Stafford loans first disbursed by the lender on or after July 1, 2006, July 1, 2007, July 1, 2008, July 1, 2009, and July 1, 2010, respectively.
- Basis:** Higher Education Act of 1965, Section 438(c)(2)(B), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.
- Policy Information:** 887/Batch 132
- Guarantor Comments:** None.

Return of Title IV Funds

The *Common Manual* has been updated to incorporate changes to the return of Title IV funds requirements derived from the HERA, as follows:

- The method for computing the percentage of the payment period or period of enrollment completed for a student who withdraws from a clock-hour program has been simplified. That percentage is now determined by dividing the total number of clock hours comprising the payment period or period of enrollment for which assistance is awarded into the number of clock hours scheduled to be completed by the student in that period as of the day the student withdrew.
- The return of Title IV funds requirements no longer apply to LEAP, SLEAP, GEAR UP, and SSS funds. Federal Work-Study funds and the nonfederal share of an FSEOG award (if the school meets its matching share by the individual recipient method or the aggregate method) continue to be excluded from the calculation.
- The time frame in which the school must return funds under the return of Title IV calculation has been lengthened from 30 days to 45 days after the date the school determines that the student has withdrawn.
- The amount of a grant overpayment due from a student as a result of the return of Title IV funds calculation is limited to the amount by which the original grant overpayment amount exceeds half of the total Title IV grant funds that the student received. A student is not required to repay a grant overpayment of \$50 or less resulting from the return of Title IV funds calculation.

- Affected Sections:** 8.9.C Return of Unearned Loan Funds

- 9.4 Withdrawal Dates
- 9.5.A Return Amounts for Title IV Grant and Loan Programs
- 9.5.B Processing Returned Funds
- 9.5.D Return of Title IV Funds Calculations for Student Subject to Verification

Effective Date: Withdrawals that occur on or after July 1, 2006.

Basis: Higher Education Act of 1965, Sections 484B(a)(3)(B)(ii), 484B(b)(1), 484B(b)(2)(C), and 484B(d)(2), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05.

Policy Information: 888/Batch 132

Guarantor Comments: None.

Cost of Attendance

The *Common Manual* has been updated to give a school the option to include a cost of attendance (COA) component for the one-time cost of obtaining the first professional credential, as determined by the school, for a student enrolled in a program that requires professional licensure or certification. The license or certification must be required by a state or must be commonly accepted as required to practice or be employed in the profession. In addition, the cost must be incurred while the student is enrolled in school and must not include costs associated with preparing the student for a test required for licensing or certification unless the preparation is part of the eligible program.

Affected Sections: 6.5.A COA Components

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

Basis: Higher Education Act of 1965, Section 472(13), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05 and GEN-06-10.

Policy Information: 889/Batch 132

Guarantor Comments: None.

Independent Student Definition

The *Common Manual* has been updated to add a new circumstance under which a student may be considered to be independent for Title IV purposes. For the purpose of determining a student's dependency status, a student is considered to be independent if he or she is currently serving on active duty in the U.S. Armed Forces or is a National Guard or Reserves enlistee and is called to active duty for purposes other than training. In this case, active duty does not include a call into active duty for state purposes.

Affected Sections:	6.8 Determining the Student's Dependency Status
Effective Date:	Loan periods beginning on or after July 1, 2006.
Basis:	Higher Education Act of 1965, Section 480(d)(3), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letters GEN-06-05 and GEN-06-10.
Policy Information:	890/Batch 132
Guarantor Comments:	None.

Treatment of Qualified Education Benefits

The *Common Manual* has been updated to remove qualified education benefits from the calculation of a student's estimated financial assistance.

The manual has also added the definition of "qualified education benefit" to the glossary, as follows:

Qualified Education Benefit - Refers to qualified tuition programs (e.g., 529 prepaid tuition plans and savings plans), prepared tuition plans offered by a state, and Coverdell education savings accounts.

Affected Sections:	6.7 Determining the Amount of Estimated Financial Assistance appendix G
Effective Date:	Loan periods beginning on or after July 1, 2006.
Basis:	Higher Education Act of 1965, Sections 480(f)(3) and (4), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letters GEN-06-05 and GEN-06-10.
Policy Information:	891/Batch 132
Guarantor Comments:	None.

Assistance from States

The *Common Manual* has been updated to state that any non-Title IV state assistance that the state specifies must be used to pay a specific component of the cost of attendance (COA) may be excluded from the EFA if the costs paid by those state funds are also excluded from the COA.

Affected Sections:	6.5 Determining the Student's Cost of Attendance (COA) 6.7 Determining the Amount of Estimated Financial Assistance (EFA)
Effective Date:	Loan periods beginning on or after July 1, 2006.

Basis: Higher Education Act of 1965, Section 480(j)(3), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05.

Policy Information: 892/Batch 132

Guarantor Comments: None.

PLUS Loans for Graduate and Professional Students

The *Common Manual* has been updated to include information about graduate and professional student PLUS (Grad PLUS) loans. A school that participates in the Federal PLUS Loan Program and offers both undergraduate and graduate or professional programs must offer PLUS loans both to parents who wish to borrow on behalf of their dependent undergraduate students and the school's graduate and professional students. Schools are not permitted to exclude either category of borrower from participation in the Federal PLUS Loan Program.

Before applying for a PLUS loan, the graduate or professional student is required to complete a Free Application for Federal Student Aid (FAFSA) and the school is required to determine the student's maximum eligibility for subsidized and unsubsidized Stafford loan funds. However, the student may decline the Stafford loan funds and the school may not require the student to accept Stafford loan funds as a condition of applying for a Grad PLUS loan.

The PLUS MPN may be used by a graduate or professional student borrower to obtain one or more Grad PLUS loans. The graduate or professional student borrower completes both the student and the parent sections of the PLUS MPN with information about the graduate or professional student, and submits it to the school, the lender, or the guarantor, depending on the process established by the school. A school may certify a Grad PLUS loan for a graduate or professional student only if the student meets the eligibility criteria for both a student and a Grad PLUS loan borrower.

A school determines a graduate or professional student borrower's maximum eligibility for a Grad PLUS loan by subtracting from the cost of attendance (COA) the estimated financial assistance (EFA) that the student is expected to receive for the loan period.

In addition, the following glossary definitions have been added to the manual:

Grad PLUS Loan: A PLUS loan made to a graduate or professional student.

Parent PLUS Loan: A PLUS loan made to the parent of a dependent undergraduate student.

Affected Sections:

- 2.1.B Types of Loans Available
- 2.2 The Life of a FFELP Loan
 - 2.2.A Origination

- 3.4.A Recordkeeping Requirements
- 4.5 Recordkeeping Requirements
- 5.1.A General Borrower and Student Eligibility Requirements
- 5.1.B Student Eligibility Requirements
- 5.1.C Parent Borrower Eligibility Requirements
- 5.2 Federal Data Matches
- 5.2.D Prior Overpayment
- 5.2.E Prior Default
- 5.11 Use of Telecommunications and Correspondence in Programs of Study
- 5.12.A Study at Participating Foreign Schools
- 5.12.B Study-Abroad Programs
- 5.14 Multiple School Enrollment
- 6.11.C Increased Unsubsidized Stafford Loan Limits for Health Profession Students
- 6.11.D Exceeding Loan Limit
- 6.11.E Prorated Loan Limits
- 6.11.F Effects of Consolidation Loan on New Stafford Loan Eligibility
- 6.15 School Certification of the Loan
- 6.15.C PLUS Loan Certification
- 6.16 Applying for Federal Stafford and PLUS Loans
- 7.1.A General Determinations
- 7.1.B Creditworthiness
- 7.2.A Lender Responsibilities under a Master Promissory Note
- 7.7.C Disbursement by Individual Check
- 7.7.D Disbursement by Electronic Funds Transfer (EFT) or Master Check
- 7.7.E Disbursement for Students in Study-Abroad Programs or Foreign Schools
- 8.2 Required Notices

- 8.7 Delivering Loan Funds at Eligible Schools
 - 8.7.C Early Delivery
 - 8.7.E Late Delivery
 - 8.7.H Delivery Methods
 - 8.8.C Treatment of a Title IV Credit Balance When a Student Withdraws
 - 8.9.D Return of Loan Funds for a Deceased Borrower
 - 9.4 Withdrawal Dates
 - 9.5 Return of Title IV Funds
 - 9.5.A Return Amounts for Title IV Loan and Grant Programs
 - 9.5.D Return of Title IV Funds Calculations for Students Subject to Verification
 - 10.1 Verifying Enrollment
 - 10.5.D Revised Out-of-School Dates before Conversion to Repayment
 - 11.1 Authorized Deferment
 - 11.5.A Eligibility Criteria — In School
 - 11.12.A Eligibility Criteria — Rehabilitation Training Program
- Figure 12-5
- Figure 13-1
- Figure 13-2
- appendix G

Effective Date: Loans certified by the school on or after July 1, 2006.

Basis: Higher Education Act of 1965, Section 428(B), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02/FP-06-01; Dear Colleague Letter FP-06-05.

Policy Information: 893/Batch 133

Guarantor Comments: None.

Program Eligibility Using Direct Assessment

The *Common Manual* has been updated to include direct assessment as a means of measuring student learning, in addition to the existing measures of clock and credit

hours. Direct assessment must be consistent with the accreditation of the school or program utilizing the results of the assessment. The Department must determine whether such a program is an eligible program for Title IV purposes.

Affected Section: 4.1.C Maintaining Eligibility

Effective Date: Loan periods beginning on or after July 1, 2006, for programs that are approved by the Department.

Basis: Higher Education Act of 1965, Section 481(b)(4), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05.

Policy Information: 894/Batch 133

Guarantor Comments: None.

Expansion of Eligibility to Telecommunications and Correspondence Programs

The *Common Manual* has been updated to expand the definition of “eligible programs” as it relates to the use of telecommunications in programs of study. Revised policy clarifies that courses offered by telecommunications are no longer considered to be correspondence courses, and students enrolled in telecommunications courses are no longer considered to be correspondence students. As a result, an otherwise eligible school that offers over 50 percent of its courses by telecommunications, or has 50 percent or more of its regular students enrolled in telecommunications courses, is now eligible to participate in the Title IV programs. Revised policy also reflects that a student enrolled in a short-term certificate program of less than one year offered by telecommunications is now eligible for Title IV program assistance. A program of study offered at a foreign school that includes a telecommunications course is ineligible for Title IV program assistance. Telecommunications technologies may be used in the foreign school classroom to supplement and support instruction offered as part of an otherwise eligible program.

The 50-percent limitations continue to apply to correspondence courses and the students enrolled in those courses

Affected Sections: 5.11 Use of Telecommunications and Correspondence in Programs of Study

appendix G

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

Basis: Higher Education Act of 1965, Sections 481(b)(3) and 484(l)(1), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letters GEN-06-05 and GEN-06-11; 2006-2007 *Federal Student Aid Handbook*.

Policy Information: 895/Batch 133

Guarantor Comments: None.

Exceeding Loan Limits

The *Common Manual* is updated to provide additional clarification regarding satisfactory repayment arrangements in situations where a student inadvertently exceeds the annual or aggregate loan limit. If a Stafford borrower inadvertently exceeds an annual or aggregate loan limit under a Title IV program, the loan holder may allow the student to sign an agreement acknowledging the debt and affirming the borrower's intention to repay the excess amount as part of the normal repayment process. Additionally, consolidation of the loan(s) that exceeded the annual or aggregate loan limit is considered a satisfactory repayment arrangement.

Affected Sections: 6.11.D Exceeding Loan Limits

Effective Date: Satisfactory repayment arrangements for overpayments created by inadvertent over borrowing made on or after July 1, 2005, unless implemented earlier by the lender.

Basis: §668.35(d)(2); 2005-06 *Federal Student Aid Handbook*, Volume 5, Chapter 1, Page 5-7.

Policy Information: 896/Batch 133

Guarantor Comments: None.

Change in PLUS Interest Rate

The *Common Manual* has been amended to reflect the statutory change made by the HERA to require a FFELP PLUS loan first disbursed on or after July 1, 2006, to carry a fixed interest rate of 8.5 percent.

Affected Sections: 5.A Current PLUS Interest Rate

Figure 7-2 PLUS and SLS Loan Interest Rates

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

Basis: Higher Education Act of 1965, Section 427A(l)(2), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letters GEN-06-02/FP-06-01, FP-06-04, and FP-06-05.

Policy Information: 897/Batch 133

Guarantor Comments: None.

Late Disbursement and Post-Withdrawal Disbursement of FFELP Funds

The *Common Manual* has been updated to incorporate changes derived from the HERA as follows. Prior to delivering a late disbursement or post-withdrawal disbursement of loan funds to the borrower, the school must explain that the borrower is obligated to repay any loan funds that the school delivers, and confirm

that the borrower still requires the loan funds. The school is also required to document the student's file regarding the result of the contact and the final determination concerning the late disbursement or post-withdrawal disbursement.

Affected Sections: 8.2.A Initial Notice of Funds
8.7.E Late Delivery
9.5.A Return Amounts for Title IV Loan Grant Programs

Effective Date: Effective for withdrawals that occur on or after July 1, 2006.

Basis: Higher Education Act of 1965, Section 484B(a)(4)(A), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-05.

Policy Information: 898/Batch 133

Guarantor Comments: None.

New Military Deferment

The *Common Manual* has been revised by changing the name of the current military deferment to the Armed Forces deferment and moving the information from section 11.7 to 11.3 to maintain consistency by providing information about deferment types in alphabetical order. Several sections and subsections in chapter 11 have been renumbered to accommodate the movement of existing text and the insertion of new text in section 11.8 about the new military deferment created by the HERA .

The new military deferment covers a borrower's loan(s) that are first disbursed on or after July 1, 2001, while a borrower is serving on active duty during a war or other military operation, or a national emergency, or while a borrower is performing qualifying National Guard duty during a war or other military operation, or a national emergency.

The military deferment is loan-specific. This deferment is available only for a borrower's Stafford and PLUS loans first disbursed on or after July 1, 2001, and Consolidation loans when all Title IV loans included in the Consolidation loan are loans that were first disbursed on or after July 1, 2001. The borrower must meet the qualifications after July 1, 2001.

This deferment is available only for periods during which a borrower is performing one of the following services:

1. Serving on active duty during a war or other military operation, or a national emergency.
2. Performing qualifying National Guard duty during a war or other military operation, or a national emergency.

In the context of the new military deferment, the following definitions apply:

1. *Active duty* means serving in full-time duty in the active military service of the U.S., not including training or attendance at a service school.
2. *Military operation* means a contingency operation in which a member of the Armed Forces is, or may become, involved in military actions, operations, or hostilities against an enemy of the U.S. or against an opposing military force; or results in the call or order to, or retention on, active duty of members of the uniformed services under 10 U.S.C. 688, 12301(a), 12302, 12304, 12305, or 12406, 10 U.S.C. chapter 15, or any other provision of law during a war or during a national emergency declared by the president or Congress.
3. *National emergency* means a national emergency by reason of certain terrorist attacks declared by the president on September 14, 2001, or subsequent national emergencies declared by the president by reason of terrorist attacks.
4. *Qualifying National Guard duty* means training or other duty, other than inactive duty, performed by a member of the U.S. Army National Guard or the Air National Guard on full-time National Guard duty as called to service authorized by the president or the secretary of defense. The training or other duty must be performed for more than 30 consecutive days in connection with a war or other military operation, or a national emergency as declared by the president and supported by federal funds.
5. *Serving in active duty* means service by an individual who is a Reserve of an Armed Force ordered to active duty under 10 U.S.C. 12301(a), 12301(g), 12302, 12304, or 12306, or any retired member of an Armed Force ordered to active duty under 10 U.S.C. 688 of such title, for service in connection with a war or other military operation or national emergency, regardless of the location at which the active duty service is performed. This also includes any other member of an Armed Force on active duty in connection with such emergency or subsequent actions of conditions who has been assigned to a duty station at a location other than where the member is normally assigned.

Not all active duty military personnel are eligible for the new military deferment. Borrowers who do not qualify for this deferment may be eligible for the Armed Forces deferment.

A borrower is not eligible for a refund of any loan payments made prior to the time the deferment is granted.

A borrower must request the deferment and provide the lender with the documentation of his or her duty status. This documentation must include a copy of the borrower's military orders, or a written statement from the borrower's commanding or personnel officer that the borrower is serving on active duty during a war or other military operation, or a national emergency, or performing qualifying National Guard duty during a war or other military operation, or a national emergency, as those terms are defined.

The deferment begins on the date the condition entitling the borrower to the deferment first existed, as determined by the lender. The deferment ends on the

earlier of the date that is no later than 3 years after the date on which it began, or the date on which the borrower's qualifying service is certified to end or actually ends.

Affected Sections:	11.3 Economic Hardship Deferment <i>Through</i> 11.22.D Applying a Mandatory Forbearance Retroactively
Effective Date:	Military deferments granted on or after July 1, 2006, for loans for which the first disbursement is made on or after July 1, 2001.
Basis:	Higher Education Act of 1965, Section 428(b)(1)(M), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.
Policy Information:	899/Batch 133
Guarantor Comments:	None.

Forbearance Agreements

The *Common Manual* has been revised to comply with statutory changes derived from the Higher Education Reconciliation Act (HERA) of 2005. In all cases when a forbearance agreement is required, a lender and the borrower may agree to the terms of forbearance verbally or in writing. A lender that grants a forbearance based on a verbal agreement with the borrower must record the forbearance terms in the borrower's file and send a notice to the borrower confirming the terms of the forbearance agreement.

Affected Sections:	11.18.B Documentation Required for Authorized Forbearance 11.18.G Forbearance of Defaulted Loans 11.18.H Borrower Contact during Forbearance 11.20 Discretionary Forbearance 11.21 Mandatory Administrative Forbearance 11.21.A Death 11.22 Mandatory Forbearance
Effective Date:	Forbearance agreements granted or renegotiated by the lender on or after July 1, 2006.
Basis:	Higher Education Act of 1965, Sections 428(c)(3)(A) and 428(c)(10), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Dear Colleague Letter GEN-06-02.
Policy Information:	900/Batch 133

Guarantor Comments: None.

Ineligible Borrower Claims

The *Common Manual* has been updated to provide that an ineligible borrower claim of a loan first disbursed on or after July 1, 2006, is eligible for payment of 100% of principal and eligible interest.

Affected Sections: 12.4.F Ineligible Borrower Due Diligence
13.3.A Claim Payment Amount
13.3.C Amount of Interest Purchased on Returned Claims

Effective Date: Ineligible borrower claims filed by the lender on loans first disbursed on or after July 1, 2006.

Basis: Higher Education Act of 1965, Section 428(c)(1)(G), as amended by the Higher Education Reconciliation Act (HERA) of 2005, Dear Colleague Letters GEN-06-02 and FP-06-07.

Policy Information: 901/Batch 133

Guarantor Comments: None.

Special Allowance Rates

The *Common Manual* has been revised to reflect statutory changes derived from the HERA that make permanent the temporary special allowance maximum/minimum income provisions of the Taxpayer-Teacher Protection Act of 2004. These provisions state that loans financed with proceeds from tax-exempt obligations originally issued prior to October 1, 1993, revert to the regular special allowance rates paid on other loans if certain actions occur after September 30, 2004. The manual has also been revised to reflect statutory changes derived from the HERA that prohibit loans from being subject to the minimum/maximum special allowance rates for certain tax-exempt bond issues if the loan was made or purchased on or after February 8, 2006, or is not earning the minimum quarterly special allowance as of February 8, 2006. However, certain holders of these loans remain subject to the maximum/minimum special allowance rates until December 31, 2010, if all of the following apply:

1. The holder was a unit of the state or local government or a nonprofit private entity as of February 8, 2006, and during the quarter for which the special allowance is paid.
2. The holder is not owned or controlled by, or under the common ownership or control with, a for-profit entity as of February 8, 2006, and during the quarter for which special allowance is paid.
3. The holder held, directly or through any subsidiary, affiliate, or trustee, a total unpaid balance of principal equal to or less than \$100 million on loans for which maximum/minimum special allowance was paid in the most recent quarterly payment prior to September 30, 2005.

Affected Sections:	A.2.A Special Allowance Rates
Effective Date:	Provisions relating to the Taxpayer-Teacher Protection Act of 2005 are effective October 1, 2004, for loans financed by tax-exempt obligations originally issued prior to October 1, 1993. Provisions relating to the Higher Education Reconciliation Act (HERA) of 2005 are effective February 8, 2006.
Basis:	Taxpayer-Teacher Protection Act of 2005, as amended by the Higher Education Reconciliation Act (HERA) of 2005; Higher Education Act of 1965, Section 438(b)(2)(B)(iv) through (vi), as amended by the HERA; Dear Colleague Letter FP-06-04.
Policy Information:	902/Batch 133
Guarantor Comments:	None.

Legislative update

The August 10 issue of TG's *Legislative Report* includes an update on the third draft of the final report from the Secretary of Education's Commission on the Future of Higher Education and business left unfinished as Congress begins its August recess. 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

Faced with stiff competition for their traditional students, historically black colleges are now making a push to recruit Hispanics, reports CNN.

Black colleges that want to shore up enrollment numbers are revising recruitment strategies to include more members of the nation's largest and fastest-growing minority. The campuses are hiring Hispanic recruiters, distributing brochures that feature Hispanic students and establishing special scholarships for Hispanics.

To read the August 11 article in its entirety, visit

<http://www.cnn.com/2006/EDUCATION/08/11/black.schools.hispanic.ap/index.html>



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