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Tip^{of}the Week

The Teacher Loan Forgiveness Program is growing in significance nationally. TG devotes a section of *TG Online* pages to the program, which details eligibility requirements, the application process, and answers to some frequently asked questions. If you're looking for a useful reference on the subject, visit www.tgslc.org/borrowers/teachers/index.cfm.

Federal updates

Closed school corner

The following table provides a list of newly reported school closures and error corrections from the Postsecondary Educational Participants System (PEPS) and from the April 2007 Closed School Monthly Report supplied by the Department of Education.

Newly reported closures

OPE School ID	School Name and Address	Unofficial Closure Date	ED's Official Closure Date
00729701	Westwood College of Technology – O'Hare 4825 N. Scott St., #100 Schiller Park, IL 60176-1202	N/A	4/2/2003

Error corrections

OPE School ID	School Name and Address	Previously Reported Closure Date	ED's Official Closure Date
01004004	Ivy Tech Community College of Indiana Region 1 – Valpo Grand Trunk 2912 Grand Trunk Dr. Valparaiso, IN 46383-9104	8/1/2006	Not Closed

TG updates

TG is a one-stop shop for Consolidation loans

Since its inception, student loan consolidation has been based on the premise of simplicity and convenience: a borrower can combine multiple loans and thus make one payment to one lender at one interest rate. TG makes convenience a priority in all its guarantee and support services, whatever the loan type — Stafford, PLUS, or Consolidation. If you're looking for a guarantor that can provide you and your borrowers with a one-stop shop for consolidation services, consider TG.

TG guarantees Consolidation loans for any eligible borrower. As a matter of fact, effective April 30, 2007, TG has modified its Consolidation loan policy to accept all eligible Consolidation loans for guarantee, regardless of whether they include one underlying loan guaranteed by TG, or at least one Federal Direct loan. We offer an assortment of services that help your borrowers stay out of default and that give you more control over your loan portfolio. In-house policy expertise, online tools, call center staff, even debt management training — these are just a few of the ways that TG provides support to students and offers you resources to better monitor and manage your borrowers who pursue Consolidation loans.

A helping hand for borrowers

Helping borrowers to repay their loans successfully is a TG priority. This means TG devotes a number of resources to ensuring that your borrowers understand their options and obligations for a Consolidation loan. More informed borrowers are more likely to make better choices and stay in repayment until their student loans are repaid.

Here are a few of the ways that TG educates borrowers about Consolidation loans:

- **Consolidation Station:** TG offers a Web-based resource on *TG Online* that describes the process of consolidating and answers common questions about interest rates, the advantages and effects of consolidating, and repayment amounts. You'll find Consolidation Station at www.tgslc.org/borrowers/consolidate/index.cfm.

- **Consolidation collateral:** TG provides brochures that you can distribute to borrowers, so that they understand their consolidation options and can make wise choices. Brochures can be ordered through *TG Online* at www.tgslc.org/order.
- **Consolidation envelope stuffer:** This handy stuffer can be placed in mailings to borrowers during periods when they may begin considering consolidating their loans, such as when they are about to graduate. The stuffer, developed in collaboration with the Council for the Management of Educational Finance, describes the process of consolidating and answers other frequently asked questions. The stuffer can be ordered through *TG Online* at www.tgslc.org/order.
- **Call centers:** Experts in TG's customer assistance and default prevention call centers can provide comprehensive information about important considerations, options, and the process of loan consolidation. TG customer assistance can be reached at (800) 845-6267; you can also send an e-mail message to cust.assist@tgslc.org. To reach default prevention, call (800) 530-0140 or send an e-mail message to tgcares@tgslc.org.

A reliable business partner for schools

Have you ever wondered why it would matter whether your borrowers consolidate or, if they do, what guarantor provides the guarantee on the Consolidation loan? Here's why it matters.

TG supports schools in the guarantee, origination, and repayment process for Consolidation loans. TG's Consolidation loan services can be tailored to a school's needs, and schools can use these services to handle their entire loan portfolio — Consolidation loans along with all other loan types. Here are a few of the ways that TG helps schools with all their consolidation needs.

- **Online tools:** TG's Web-based tools — including the Integrated Default Assistant™, or IDA — provide reports that help with default aversion. With IDA, schools can track cohort default rates and help borrowers stay on top of repayment. If your borrowers do not use TG as their consolidation guarantor, you will be unable to access those borrowers' data through IDA.
- **In-house training:** For Consolidation loan purposes, schools can also take advantage of TG's holistic financial literacy and life success training program — Positive+Balance™. Positive+Balance fosters skills in money management and academic success for students. Financial aid offices can use the program's seminars on default aversion, loan counseling, and successful money management tutoring.
- **Call center support:** TG's customer assistance team can answer many of your consolidation questions. You also have the option of using *Ask TG™*, a comprehensive database of questions about loan repayment, which the customer assistance team maintains.

A reliable business partner for lenders

TG also supports lender partners throughout the process of consolidation. For example:

- **Automated loan processes:** TG has a fully automated, industry-compliant process for transmitting your consolidation loan guarantee requests to TG, along with options for submitting paper-based applications to meet your needs.
- **On-call support for you and your borrowers:** TG maintains a dedicated team of financial aid experts to work with you and your team to simplify the process, including a loan guarantee operations team that monitors guarantees and resolves rejects as soon as possible; a product support team dedicated to resolving technical issues; and a customer assistance team focused on serving your borrowers and staff.
- **Dedicated default aversion services:** TG is committed to providing the borrower with exceptional service. TG offers comprehensive default aversion assistance with personal contact to borrowers, a variety of default aversion resources, and a team of default aversion representatives committed to serving borrowers.

TG's long-term commitment to customer service

TG has worked for over 25 years in the student loan industry, providing our customers innovative solutions, exceptional service, and insightful expertise to simplify the student financial aid experience. We are a pure guarantor — that is, we provide only guarantee-related services — with a social mission and an emphasis on default aversion, and we, like you, want your borrowers to succeed in repayment. Let us show you how we can serve you in the realm of consolidation.

Have questions?

If you'd like to learn more about TG's comprehensive consolidation loan services, please call TG customer assistance at (800) 845-6267, or send an e-mail message to cust.assist@tgsic.org. You can also contact your TG regional account executive at (800) 252-9743, or send an e-mail message to relationship.management@tgsic.org.

TG upgrading mainframe infrastructure

To provide increased capacity and reliability for TG's customer products, TG is upgrading its mainframe infrastructure. This upgrade will require an eight-hour shutdown of all TG products and applications beginning early Sunday morning, May 13. All product outage pages will be posted and then removed once the upgrade is complete.

For help

If you have questions or need more information about the upgrade, please contact TG's product support group at (800) 332-1455, or send an e-mail message to product.support@tgsic.org.

***Mapping Your Future*TM honors TG team member at annual conference**

Each year, *Mapping Your Future* (MYF) recognizes individuals who have made a significant contribution to the success of the MYF organization. During the 2007 Annual Conference held in Colorado recently, several individuals, including one long-term MYF member from TG, received an Award of Excellence.

TG's assistant vice president for communications Michael Gee has worked with MYF since the inception of the program in 1996. He's served as a member of MYF's Steering Committee, which helps direct activities for the organization, and currently leads the team recruitment and recognition committee. As part of the award, Michael was cited for his service as a professional dedicated to MYF's growth and long-term success.

"I'm honored to receive this award," said Michael. "*Mapping Your Future* represents the collaboration of many organizations who work to help students succeed in college and in their career of choice. That's a worthy goal, which has given me inspiration over my years serving with the group."

Cathy Mueller, executive director for MYF, noted that Michael has made important contributions to MYF since its founding.

"Mike has shared significant amounts of his time and expertise with MYF," said Cathy. "From the beginning, his familiarity with the organization and its mission has helped us to reach out to schools and students in more effective ways. We appreciate the commitment he's shown to our work and to the cause of higher education."

Co-sponsored by TG and other student loan guarantors, MYF is a public-service project of the financial aid industry that brings together the expertise of the industry to provide free college, career, financial aid, and financial literacy services for students, families, and schools. Each year, millions of students and families, and thousands of schools, colleges, and universities around the country use the free services available through the MYF Web site.

For more information

To learn more about MYF's varied services for students, families, and schools, visit the Web site at www.mapping-your-future.org.

Trends and issues

Question of the week

Q.: A school that uses summer as a trailer to its scheduled academic year wants to award an eligible second-year student his or her full Stafford annual loan limit in the summer term — because the student didn't borrow in the prior fall or spring. The school has already certified for the student the current Stafford base annual loan limit of \$3,500. Since the summer term includes, i.e., crosses over, July 1, 2007, can the school increase the certified amount to \$4,500 to take advantage of the increased Stafford base annual loan limits that are effective this July 1?

A.: While the increased annual loan limits are effective this July 1, they are effective for loans *first* disbursed on or after July 1. Thus, the school could increase the certified amount to \$4,500 only if the first disbursement of the loan occurs on or after July 1. Or, the school could retain the current certified amount of \$3,500 with a first disbursement before July 1, and certify a separate loan amount of \$1,000 with a first disbursement of that loan on or after July 1.

Note: In the scenario that a first- or second-year student has already borrowed his or her current Stafford annual loan limit before the summer term begins, the school can certify the difference between the student's current loan limit and increased loan limit for the summer, making sure that the first disbursement of the summer loan does not occur until on or after July 1.

Another note: In the scenario that a first- or second-year student has already borrowed his or her current Stafford annual loan limit and progresses in grade level before the summer term begins, the school can certify the difference between the eligible student's current loan limit at the prior grade level and the student's increased loan limit at the higher grade level for the summer. For example, a first-year student enrolls and completes 12 hours in fall and 12 hours in spring, borrowing the Stafford annual loan limit of \$2,625 over both terms. The school considers a student to progress in grade level once the student has completed 24 hours. Because the student is now a second-year student, and because of the Stafford annual loan limit increase, the school can certify a loan amount of \$1,875 — the increased Stafford annual limit for a second-year student of \$4,500 minus the \$2,625 the student has already borrowed. Of course, the school would have to ensure that the first disbursement of the loan does not occur until on or after July 1. The school could exercise the option of certifying \$875 — the current second-year Stafford annual loan limit of \$3,500 minus the \$2,625 the student has already borrowed — with a first disbursement before July 1, and certify a *separate* loan amount of \$1,000 with a first disbursement on or after July 1.

TG has implemented modifications to its front-end mainframe, AdvanTG Web™, TG Loans By Web™, and Real Time Access™ (RTA) systems to accommodate the increased Stafford annual loan limits. Please note that TG will not automatically apply these increased limits to Stafford loans. TG will guarantee the lowest of the school certification amount, borrower requested amount, and lender approved amount.

You can read more regarding TG's system implementation in Edition [393](#) of *Shoptalk Online*.

To access the November 1, 2006 *Federal Register*, visit the National Council of Higher Education Loan Programs (NCHELP) e-Library at www.nchelp.org/elibrary/index.cfm?parent=1822.

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 tgslc.custhelp.com.

Common Manual

Common Manual updates

On April 19, 2007, 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* incorporating the changes are available online at www.tgslc.org/resources/integrated_online_manual.cfm.

Eligibility for a Consolidation Loan

The *Common Manual* has been revised to clarify that a borrower may not consolidate a loan(s) for which he or she is wholly or partially ineligible due solely to the borrower's error. However, a borrower with an ineligible loan may consolidate another eligible loan(s).

Affected Sections:	5.16.A Ineligibility Based on Borrower Error 15.2 Borrower Eligibility and Underlying Loan Holder Requirements
Effective Date:	Consolidation loan applications received on or after December 1, 2006, unless implemented earlier by the lender on or after July 1, 2000.
Basis:	<i>Federal Register</i> dated August 9, 2006, page 45700; <i>Federal Register</i> dated November 1, 2006, pages 64383 and 64397.
Policy Information:	939/Batch 140
Guarantor Comments:	None.

Estimated Financial Assistance

The *Common Manual* has been revised to amend the list of aid types that must be included in the estimated financial assistance (EFA), adding types of veterans' educational benefits, non-need-based fellowships and assistantships, insurance programs for the student's education, and ACG and SMART Grants. Revised policy specifies that non-need-based employment earnings and aid that is included in the calculation of the student's expected family contribution (EFC) are excluded from the EFA, and specifies that the portion of non-federal non-need-based loans used to replace the EFC are excluded from the EFA.

In addition, revised policy provides regulatory citations for elements to be included in the EFA, changes a reference to "resources" to "EFA" in figure 8-3, and clarifies the definition of "overaward" in appendix G.

Affected Sections: 6.7 Determining the Amount of Estimated Financial Assistance
Figure 8-3 School Requirements Before Delivering a FFELP Loan
Appendix G

Effective Date: Loans certified by the school on or after September 8, 2006.

Basis: Preamble to the *Federal Register* dated August 9, 2006, page 45673; §682.200(b).

Policy Information: 940/Batch 140

Guarantor Comments: None.

Disbursement for Students in Study-Abroad Programs or Foreign Schools

The *Common Manual* has been updated to include clarifications provided in the Interim Final Regulations published in the *Federal Register* August 9, 2006, and the Final Regulations published in the *Federal Register* November 1, 2006, regarding the direct disbursement of loan funds to a student enrolled in a study-abroad program or a foreign school.

Revised policy clarifies that the request that loan funds be disbursed directly to a student enrolled in a foreign school and the verification of enrollment must be made by an official authorized by the foreign school to act on behalf of the school in administering the FFELP, and that the guarantor must verify in the Department's Postsecondary Education Participant's System (PEPS) that the foreign school is certified to participate in the FFELP. Guarantors and lenders must coordinate their activities to ensure that these requirements are met prior to any direct disbursement of Stafford loan funds.

Revised policy further clarifies that, in order for loan funds to be disbursed directly to the student, the required verifications must be performed prior to each disbursement. Enrollment verification can be completed by telephone, e-mail, or facsimile. In the case of a study-abroad student, the enrollment verification must be obtained from the home institution. For a new student in a study-abroad program or foreign school, the lender or guarantor must verify that the student has been admitted to the program. For a continuing student, the lender or guarantor must verify that the student is enrolled on at least a half-time basis. The lender or guarantor performing the verification must maintain documentation of the verification.

In addition, revised policy incorporates the existing requirement that the lender notify the school at the time that loan funds are disbursed directly to the student enrolled in a foreign school, and includes the new requirement that the lender make a similar notification to the home institution, in the case of a student enrolled in a study-abroad program. In either case, the school, upon receipt of this notification, must immediately notify the lender if the student is no longer eligible to receive the loan funds.

Finally, revised policy removes language that required PLUS loan funds for a student enrolled in a foreign school to be disbursed by individual check and sent to either the borrower or the school, because all PLUS loans now have the same disbursement requirements, regardless of the type of school involved. The policy further specifies that PLUS loan funds may not be directly disbursed to a borrower or student under any circumstances.

Affected Sections: 7.7.E Disbursement for Students in Study-Abroad Programs or Foreign Schools
9.2.B Reporting Student Enrollment Status Changes to the Lender or Guarantor

Effective Date: Retroactive to the implementation of the *Common Manual*.

The lender must notify the foreign school upon disbursing loan funds directly to a student attending the foreign school.

For a loan first disbursed directly to the student on or after July 1, 2006:

The guarantor must verify that the school is certified to participate in the Title IV programs prior to the lender's direct disbursement of loan funds to a student enrolled in a foreign school.

For a loan first disbursed directly to the student on or after September 8, 2006:

Any required verification for a study-abroad or foreign school student:

- Must be completed before each disbursement.
- Must be made by telephone or e-mail.
- For a new student, must confirm that the student has been admitted.
- For a continuing student, must confirm that the student is still enrolled.
- Must be documented by the lender or guarantor.

The lender must notify the home institution upon disbursing loan funds directly to a study-abroad student. Upon receipt of the notification, the school must notify the lender if the student is no longer eligible for the disbursement.

A PLUS loan for a student enrolled in a foreign school may be disbursed by EFT or master check to an account maintained by the school, or by an individual check made co-payable to the borrower and the school, and mailed directly to the school.

For a loan first disbursed directly to the student on or after December 1, 2006:

Any required enrollment verification:

- Must be made by telephone, e-mail, or facsimile.
- Must confirm that the student is enrolled at least half time.
- For a student enrolled in a study-abroad program, must be provided by the home institution.
- For a student enrolled at a foreign school, must be provided by an official authorized by the foreign school to act on the school's behalf in administering the FFELP.

A lender may make a direct disbursement to a student attending a foreign school only upon the request of an official authorized by the foreign school to act on the school's behalf in administering the FFELP.

Basis: Interim Final Rules published in the *Federal Register*, dated August 9, 2006, pages 45678-45679, 45701 and 45709; Final Rules published in the *Federal Register*, dated November 1, 2006, pages 64384-64385 and 64398; §682.207(b); and §682.604(b).

Policy Information: 941/Batch 140

Guarantor Comments: None.

Media for Providing Borrower and Student Notices

The *Common Manual* has been updated to state that a school may use electronic means to deliver notices that the school is required to provide to a student and/or parent borrower. Revised policy clarifies that before the notices are made electronically to a borrower and/or student, the individual must affirmatively consent to the use of an electronic record in a manner that reasonably demonstrates that the individual is able to access the information to be provided in an electronic form. The borrower and/or student's consent must be voluntary and based on accurate information about the transactions to be completed. These electronic processes must be made in accordance with the Electronic Signatures in Global and National Commerce Act (Public Law 106-299).

Affected Sections: 8.2 Required Notices

Effective Date: Borrower disclosures and required notices sent in electronic format on or after May 2001.

Basis: *Dear Colleague Letters* GEN-01-06 and GEN-05-16.

Policy Information: 942/Batch 140

Guarantor Comments: None.

Overaward of PLUS Loans

The *Common Manual* has been updated to remove the exemption of loans made to students enrolled in eligible foreign schools from the overaward provisions, and to include Grad PLUS loans in the overaward provisions.

Affected Sections: 8.6 Managing Overawards

Effective Date: For the removal of the foreign school exemption from the overaward provisions, effective September 8, 2006. For the inclusion of Grad PLUS loans in the overaward provisions, effective December 1, 2006.

Basis: *Federal Register* dated August 9, 2006, page 45709; *Federal Register* dated November 1, 2006, pages 64391 and 64399; §682.604(h).

Policy Information: 943/Batch 140

Guarantor Comments: None.

False Certification as a Result of the Crime of Identity Theft

The *Common Manual* has been updated with the Department's regulatory requirements regarding false certification loan discharge as a result of the crime of identity theft. An individual qualifies for loan discharge if the individual does all of the following:

- Certifies that he or she did not sign the promissory note, or that any other means of identification used to obtain the loan were used without the authorization of the individual.
- Certifies that he or she did not knowingly receive or benefit from the proceeds of the loan that had been made without the individual's authorization.
- Provides to the lender a copy of a local, state, or federal court verdict or judgment that conclusively determines that the individual who is named as the borrower or endorser of the loan was the victim of a crime of identity theft.

If the judicial determination of the crime does not expressly state that a FFELP loan(s) was obtained as a result of the crime, the individual must provide all of the following:

- Five different samples of his or her signature, two of which must be no more than one year before or one year after the date of the contested signature, or other means of identification of the individual, as applicable, corresponding to the means of identification used falsely to obtain the loan.
- A statement of facts that demonstrates that eligibility for the student loan in question was falsely certified.

Identity theft is considered the unauthorized use of the identifying information of another individual that is punishable under 18 U.S.C. 1028, 1029, or 1030, or substantially comparable state or local statute. Identifying information includes, but is not limited to:

- Name, SSN, date of birth, official state or government issued driver's license or identification number, alien registration number, government passport number, and employer or taxpayer identification number;
- Unique biometric data, such as fingerprints, voiceprint, retina or iris image, or unique physical representation;
- Unique electronic identification number, address, or routing code; or
- Telecommunication of identifying information or access device [as defined in 18 U.S.C. 1029(e)].

If a loan was made as a result of the crime of identity theft that was committed by an employee or agent of the lender, or if at the time the loan was made, an employee or agent of the lender knew of the identity theft of the individual named as the borrower or endorser on the loan, the Department does not pay reinsurance, and does not reimburse the holder, for any amount disbursed on the loan. Also, the holder must refund to the Department any amounts received as interest benefits and special allowance payments with respect to the loan and cease future billings.

Finally, revised policy adds information about loan servicing requirements, notifications, and claim filing procedures applicable to the loan for an individual who requests loan discharge due to false certification that results from a crime of identity theft.

Affected Sections: Figure 11-2
11.20.D False Certification Due to Identity Theft
13.8.E False Certification Due to Identity Theft

Effective Date: False certification as a result of identity theft loan discharge claims processed by the lender on or after September 8, 2006.

Basis: *Federal Register* dated August 9, 2006, pages 45676-45677 and 45707; *Federal Register* dated November 1, 2006, pages 64388-64389 and 64398.

Policy Information: 945/Batch 140

Guarantor Comments: None.

Consolidation Loans

The *Common Manual* has been updated with guidance issued by the Department related to a borrower's ability to consolidate a single Federal Consolidation loan into the Direct Consolidation Loan Program based on the borrower filing a adversary complaint in bankruptcy court and seeking to obtain an income-contingent repayment schedule.

Affected Sections: 15.2 Borrower Eligibility and Underlying Loan Holder Requirements

Effective Date: Direct Consolidation Loan applications submitted by borrowers on or after December 1, 2006.

Basis: Preamble to the *Federal Register* dated November 1, 2006, pages 64383 and 64384; *Dear Colleague Letter* GEN-06-20/FP-6-16, Attachment A.

Policy Information: 946/Batch 140

Guarantor Comments: None.

Higher Education Hurricane Relief Act Waivers

The *Common Manual* has been updated to include in section H.4 a record of the waiver of the return of Title IV funds requirements for schools affected by Hurricane Katrina or Hurricane Rita. Schools in possession of Title IV funds awarded to students enrolled for an academic period that was disrupted by Hurricane Katrina or Hurricane Rita will, generally, not be required to return those funds for students who withdrew or who never began attendance.

Affected Sections: H.4 Statutory and Regulatory Waivers

Effective Date: February 23, 2006.

Basis: Higher Education Hurricane Relief Act of 2005 (P.L. 109-148); Hurricane Rita - Electronic Announcement #9; and Hurricane Katrina - Electronic Announcement #12, posted on February 23, 2006.

Policy Information: 947/Batch 140

Guarantor Comments: None.

Exit Counseling

The *Common Manual* has been revised to state that a school must ensure that the average anticipated monthly repayment amount based on the student's indebtedness is provided to the borrower during exit counseling.

Affected Sections: 4.4.C Exit Counseling

Effective Date: Exit counseling conducted by or on behalf of the school on or after July 1, 2000.

Basis: §682.604(g)(2)(i).

Policy Information: 948/Batch 140

Guarantor Comments: None.

Repurchase Definition

The *Common Manual* has been revised to align the glossary definition of "repurchase (of a claim)" with existing policy in section 13.5, and to remove a redundant repurchase definition from section 13.5. In addition, because the Common Claim Initiative (CCI) has been adopted as the single claim policy standard in the manual, these revisions remove an outdated cross-reference to a special repurchase definition for CCI purposes.

The glossary revision defines repurchase as a lender's purchase back from the guarantor of a loan on which a claim was filed and paid, if that purchase occurs more than 30 days after the lender receives the claim payment. If the claim amount is returned to the guarantor by the lender within 30 days of receipt, it is treated as a recall of the claim (see subsection 13.2.B).

Affected Sections: 13.5 Claim Repurchase
Appendix G

Effective Date: Claims repurchased on or after 18 months from the publication of the Common Account Maintenance claim submittal records (CAM chapter 11), unless implemented earlier by the guarantor.

Basis: §682.402(j); CAM Initiative.

Policy Information: 949/Batch 140

Guarantor Comments: None.

School as Lender Changes

The *Common Manual* has been revised to incorporate regulatory changes contained in, and clarifications from the Preamble to the *Federal Register* dated November 1, 2006, regarding the eligibility requirements for school as lender. Revised policy clarifies that:

- The school lender must make loans only to students enrolled at that school.
- The net proceeds used for need-based grants exclude the amount necessary for reimbursement of reasonable and direct administrative expenses and that the definition of administrative expenses does not include the costs associated with securing financing, offering reduced origination fees, interest rates, or federal default fees to borrowers.
- The annual lender compliance audit of the school's FFELP portfolio is required for each fiscal year beginning on or after July 1, 2006.

In addition, revised policy adds a paragraph to subsection 3.8.A, Annual Compliance Audits, stating that for each fiscal year beginning on or after July 1, 2006, a school lender must submit an annual compliance audit that includes its FFELP lending activities regardless of the size of the school's loan portfolio or annual loan volume that includes information on required annual compliance audits for Schools as Lenders.

Affected Sections: 3.2 Schools Acting as Lenders
3.8.A Annual Compliance Audits

Effective Date: In order for a school to participate as a lender, the school must have met eligibility criteria in effect on February 7, 2006, and must have made a FFELP loan(s) on or before April 1, 2006. On or after July 1, 2006, existing school lenders must meet specific requirements.

Basis: Preamble to the *Federal Register* dated November 1, 2006, pages 64390-64391 and 64399.

Policy Information: 950/Batch 141

Guarantor Comments: None.

Eligible Lender Trustee Relationships

The *Common Manual* has been revised to add a new subheading and text in subsection 3.2 that addresses new statutory mandates regarding new and existing eligible lender trustee (ELT) relationships.

- Effective September 30, 2006, an eligible lender may not enter into a new relationship to make or hold a FFELP loan as a trustee for a school or for an organization affiliated with a school.
- If an ELT relationship was established prior to September 30, 2006, it may continue, and be renewed, as long as the relationship remains in effect after September 30, 2006 and the ELT held at least one loan on behalf of the school as of that date.
- Effective January 1, 2007, a school involved in an ELT relationship must meet the eligibility requirements applicable to a school-as-lender, with the exception of the requirement to award servicing contracts on a competitive basis.
- A school-affiliated organization involved in an ELT relationship must meet the same eligibility requirements as a school involved in an ELT relationship, except that the cohort default rate requirement, the prohibition against being a home school, and the requirement to employ at least one person whose responsibilities are limited to the administration of its financial aid programs do not apply to the school-affiliated organization.
- A lender involved in an ELT relationship must meet the same eligibility requirements as a school involved in an ELT relationship, except that the cohort default rate requirement, the prohibition against being a home school, the requirement to employ at least one person whose responsibilities are limited to the administration of its financial aid programs, and the requirement to use loan proceeds for need-based grants do not apply to the lender.

Affected Sections: 3.2 Schools Acting as Lenders

Effective Date: Requirements regarding an eligible lender making or holding a FFELP loan as a trustee for a school or for an organization affiliated with a school are effective September 30, 2006.

For loans disbursed on or after January 1, 2007, the lender, school, and school-affiliated organization involved in an existing Eligible Lender Trustee relationship must meet applicable school-as-lender requirements.

Basis: *Dear Colleague Letter* GEN-06-21/FP-06-17.

Policy Information: 951/Batch 141

Guarantor Comments: None.

Telecommunications Program of Study

The *Common Manual* has been revised to provide information regarding an exception published by the Department to the accreditation requirements for certain distance education programs published by the Department.

Revised policy also clarifies that telecommunications technologies used to supplement and support instruction in a foreign school program must be used in a classroom where the students and instructor are physically present in order for students in the program to be eligible for Title IV aid.

In addition, revised policy modifies the definition of "telecommunications course" to clarify that the telecommunications technologies must be used to support regular and substantive interaction between the students and the instructor, by either simultaneous communications or by communications that occur at different times.

Affected Sections: 5.12.A: Telecommunications Program of Study
Appendix G

Effective Date: Loans disbursed on or after September 8, 2006.

Basis: Interim Final Rules published in the *Federal Register* on August 9, 2006, page 45667-45668, 45689, 45692, 45693, and 45696; Final Rules published in the *Federal Register* on November 1, 2006, pages 64378 and 64379, *Dear Colleague Letter* GEN-06-17.

Policy Information: 952/Batch 141

Guarantor Comments: None.

Defining an Academic Year

The *Common Manual* has been revised to include a distinction between standard term-based credit-hour programs and nonstandard term-based credit-hour programs in determining the academic year and the frequency of Stafford annual loan limits. This distinction first appeared in the *2005-06 Federal Student Aid Handbook*, and clarifies that a school may use the scheduled academic year to determine the frequency of annual loan limits only for standard term-based credit-hour programs. For nonstandard term-based and non-term-based credit-hour programs, as well as clock-hour programs, the school must use the borrower-based academic year to determine the frequency of annual loan limits.

Affected Sections: 6.1 Defining an Academic Year
Figure 6-2 Frequency of Stafford Annual Loan Limits
6.11.A Stafford Annual Loan Limits

Effective Date: Publication date of the *2005-06 Federal Student Aid Handbook*, unless implemented earlier by the school.

Basis: *2005-06 Federal Student Aid Handbook*, Volume 3, Chapter 4, pages 3-66 through 3-75.

Policy Information: 953/Batch 141

Guarantor Comments: None.

Stafford Annual Loan Limits for Transfer Students

The *Common Manual* has been revised to clarify that the Stafford loan eligibility for a transfer student is the annual loan limit applicable to the student's current grade level minus the loan amount the student has already received for the final academic year of the prior program. For a student who transfers to a standard term-based credit-hour program, the student's Stafford loan eligibility for a subsequent term that begins within the initial academic year of the new program, but after the end of the final academic year of the prior program, is the annual loan limit applicable to the student's current grade level minus the outstanding loan amount the student has already received for that academic year in the new program.

Affected Sections:	6.1 Defining an Academic Year 6.11.A Stafford Annual Loan Limits
Effective Date:	Publication date of the 2005-06 <i>Federal Student Aid Handbook</i> , unless implemented earlier by the school.
Basis:	Dear Guaranty Agency Director Letter dated March 16, 1994; NCHELP Q&A Frequency of Annual Loan Limits dated June 15, 1994; 2005-06 <i>Federal Student Aid Handbook</i> , Volume 3, Chapter 4, pages 3-72 through 3-77.
Policy Information:	954/Batch 141
Guarantor Comments:	None.

Stafford Annual Loan Limits

The *Common Manual* has been revised to reflect the new Stafford annual loan limits effective for loans first disbursed on or after July 1, 2007. Changes to the Stafford annual loan limits include:

- First-year undergraduate base Stafford eligibility has been increased from \$2,625 to \$3,500.*
- Second-year undergraduate base Stafford eligibility has been increased from \$3,500 to \$4,500.
- Additional unsubsidized Stafford eligibility for a student who has a bachelor's degree and is enrolled or accepted for enrollment in coursework necessary for a professional credential or certification from a state that is required for employment as a teacher in an elementary or secondary school in that state has been increased from \$5,000 to \$7,000.
- Additional unsubsidized Stafford eligibility for a student who is taking preparatory coursework that the school has determined and documented to be necessary for the student to enroll in a graduate or professional program has been increased from \$5,000 to \$7,000.
- Additional unsubsidized Stafford eligibility for a graduate or professional student has been increased from \$10,000 to \$12,000.

*The base Stafford loan eligibility of \$2,625 for preparatory coursework for an undergraduate program remains unchanged.

Affected Sections: 6.1 Defining an Academic Year
6.11. A Stafford Annual Loan Limits

Effective Date: Stafford loans first disbursed on or after July 1, 2007.

Basis: Higher Education Act of 1965, Sections 425(a)(1)(A), 428(b)(1)(A), and 428H(d), as amended by the Higher Education Reconciliation Act (HERA) of 2005; §682.204; *Dear Colleague Letter* GEN-06-02/FP-06-01 and GEN-06-03/FP-06-02.

Policy Information: 955/Batch 141

Guarantor Comments: None.

Total and Permanent Disability (TPD) Loan Discharges for Comakers and Endorsers

The *Common Manual* has been revised to provide policies related to the servicing of a comade Consolidation or PLUS loan, or a PLUS loan with an endorser when a comaker or endorser may be eligible for a TPD loan discharge.

Revised policy provides that if a comaker of a joint Consolidation loan or PLUS loan applies for a total and permanent disability loan discharge, the lender must continue servicing the loan for the non-disabled comaker. The lender must protect the status of the loan during the conditional discharge period so that the loan does not become delinquent or more delinquent during the conditional discharge period. The lender may apply an administrative forbearance on the entire loan if the non-disabled comaker is not eligible for or does not choose another repayment option, deferment, discretionary forbearance, or reduced-payment forbearance. The administrative forbearance for the non-disabled comaker may begin no earlier than the date that the lender receives the disabled comaker's loan discharge application, or the date the lender receives the notification from the guarantor that one comaker is totally and permanently disabled, whichever is earlier. The forbearance ends on the date that the lender receives notice of the disabled comaker's final discharge determination. Deferment may begin no earlier than the date that the lender receives the disabled comaker's loan discharge application and ends on the date of the disabled comaker's final discharge determination, or the date that the non-disabled comaker otherwise would become ineligible for additional deferment, whichever is earlier.

Provisions for the discharge of the endorser's obligation apply only if the lender has begun collection activities against the endorser. If the lender is pursuing collection activities from the endorser and the endorser applies for a total and permanent disability loan discharge, the lender may not collect from the endorser but must continue to collect the entire loan amount from the borrower. The lender may not apply a conditional discharge administrative forbearance on the borrower's loan in this case. The lender may permit the loan to become more delinquent or to default if the borrower does not make payments or other repayment arrangements.

If the Department grants a final discharge on a comade Consolidation loan, the lender must resume collection activities on the remaining loan balance, collecting that balance from both

the disabled and non-disabled spouses. If the Department denies the final loan discharge, the lender must refund to the guarantor the amount of the discharge payment previously received and return the loan to repayment with the corrected loan balance. No interest accrues on the disabled comaker's portion of the loan during the conditional discharge period.

If the Department grants a final discharge on a comade PLUS loan, there is no reduction of the loan's principal and the lender must resume loan collection activities on the full loan amount. The lender may bill only the non-disabled comaker. If the Department denies the final discharge, the lender may resume collection activities with both comakers.

If the Department grants a final discharge for a PLUS loan endorser, the endorser's obligation on the loan is discharged and the primary borrower assumes sole responsibility for repayment of the entire loan balance. The lender may not pursue collection activities against the endorser. If the endorser's final discharge is denied, the lender may resume collection activities with both the borrower and endorser, as appropriate.

The lender must ensure accurate that it reports the correct status of the non-dischargeable portion of the loan to the guarantor in a timely manner. The NSLDS currently reports joint Consolidation loans under one primary borrower only. However, to ensure proper reporting during the conditional discharge period, the lender should report the non-dischargeable portion under the non-disabled borrower's name and Social Security number. If the borrower on record with the NSLDS is the disabled borrower, the guarantor will update the NSLDS to reflect the non-disabled borrower as the borrower of record. If a final discharge is denied, the lender and guarantor may resume reporting the full balance of the loan under the borrower currently being reported. If a final discharge is granted, the lender continues to report the non-discharged portion of the Consolidation loan under the non-disabled borrower's name and Social Security number.

Affected Sections:

- 11.1.A: General Deferment Eligibility Criteria
- 11.19: Forbearance
- 11.19.F: Forbearance of Delinquent Loans
- 11.19.G: Forbearance of Defaulted Loans
- 11.19.H: Borrower Contact during Forbearance
- 11.19.I: Establishing Repayment after Forbearance

Figure 11-2

- 11.20.P: Total and Permanent Disability
- 13.8: Discharge
- 13.8.F: Total and Permanent Disability

Effective Date: Total and permanent disability discharge requests received by a lender on or after July 1, 2007, unless implemented earlier by the guarantor.

Basis: Conditional Disability Discharge: Joint Consolidations, PLUS Co-Borrowers, and Disabled Endorsers dated August 2006, developed by the Department in coordination with NCHELP's Default Aversion and Claims Standardization (DACs) subcommittee. The document is located on the Department's Conditional Disability Discharge Unit's (CDD) website at www.fsacollections.ed.gov/contractors/ga/cdd/index.asp. The

document was updated with minor revisions and republished in November 2006.

Policy Information: 956/Batch 141

Guarantor Comments: None.

Discharging Underlying Loans of a Consolidation Loan

The *Common Manual* has been revised to state that the lender of a Consolidation loan must submit to the guarantor of the Consolidation loan a request for partial discharge of the portion of the Consolidation loan that represents any underlying loans that are eligible for discharge due to disability (only for comade Consolidation loans), closed school, death, false certification, unpaid refund, or another discharge type. Upon approval of the discharge, the guarantor will process a payment for the discharged principal and interest portion of the Consolidation loan and forward the payment to the Consolidation loan lender.

Affected Sections: 13.8 Discharge

Effective Date: Partial discharge requests filed by a lender on or after July 1, 2007, unless implemented earlier by the guarantor.

Basis: Private letter guidance letter from the Department (Pam Moran) dated April 9, 1997.

Policy Information: 957/Batch 141

Guarantor Comments: None.

Recapture of Excess Interest

The *Common Manual* has been updated to include information related to the Department's collection of excess interest on any FFELP loan first disbursed on or after April 1, 2006, for quarters in which the applicable interest rate exceeds the special allowance support level.

Affected Sections: A.2 Special Allowance

Effective Date: Effective for quarterly lender reporting and payment of excess interest on FFELP loans first disbursed on or after April 1, 2006.

Basis: Higher Education Act of 1965, Section 438(b)(2)(I)(v), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Interim Final Rules published in the *Federal Register* dated August 9, 2006, pages 45680, 45681, 45690, and 45705.

Policy Information: 958/Batch 141

Guarantor Comments: None.

Special Allowance

The *Common Manual* has been revised to clarify that a PLUS loan first disbursed on or after January 1, 2000, for any period prior to April 1, 2006, is eligible for special allowance only if the loan is accruing at the maximum interest rate specified in law (the cap) and the interest rate calculated prior to applying the cap exceeds the maximum interest rate for the loan.

The manual has also been revised to include an updated version of figure A-3, LaRS Special Allowance and Interest Rate Reporting for FFELP Loans.

Affected Sections:	A.2 Special Allowance
Effective Date:	Effective for quarterly lender reporting and payment of excess interest on FFELP loans first disbursed on or after April 1, 2006.
Basis:	Higher Education Act of 1965, Section 438(b)(2)(I)(v), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Interim Final Rules published in the <i>Federal Register</i> dated August 9, 2006, pages 45680, 45681, 45690, and 45705.
Policy Information:	959/Batch 141
Guarantor Comments:	None.

Excess Interest Calculation

The *Common Manual* has been updated to include formulas and explanations of the calculation of excess interest that the lender must remit to the Department. The excess interest rate is the applicable interest rate on any FFELP loan first disbursed on or after April 1, 2006, minus the appropriate special allowance support level. The special allowance support level is defined as the average of the bond equivalent rates of quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the quarter (also called the 3-month commercial paper rate) as reported by the Federal Reserve in Publication H-15 for the 3-month period plus one of the following:

- 2.34% for a Stafford loan in repayment.
- 1.74% for a Stafford loan during the in-school, grace, or deferment period.
- 2.64% for a Consolidation or PLUS loan.

The quarterly amount of excess interest that is collected by the Department on a qualifying loan is determined by multiplying the average daily principal balance (not including unearned interest added to principal) of the loan by the appropriate excess interest rate, divided by four.

Affected Sections:	A.2.A Special Allowance Rates
Effective Date:	Effective for the quarterly calculation of excess interest to be remitted by lenders on FFELP loans first disbursed on or after April 1, 2006.
Basis:	Higher Education Act of 1965, Section 438(b)(2)(I)(v), as amended by the Higher Education Reconciliation Act (HERA) of 2005; Interim Final Rules published in the <i>Federal Register</i> dated August 9, 2006, pages 45680, 45681, 45690, and 45705.
Policy Information:	960/Batch 141
Guarantor Comments:	None.

Partial Discharge of a Consolidation Loan

The *Common Manual* subsection that references claim and discharge provisions applicable to Consolidation loans has been updated to include cross-references to the specific cites within the manual that address the special claim and discharge provisions applicable to Consolidation loans. Information has also been added to explain that if a Consolidation loan is made to two spouses as comakers, the portion of the Consolidation loan attributable to one of the spouses may be discharged if that spouse becomes totally and permanently disabled.

Affected Sections: 15.5.F Delinquency, Default, and Claim Filing

Effective Date: Closed school and false certification provisions retroactive to the implementation of the *Common Manual*.

Teacher loan forgiveness provisions for Consolidation loans that do not include a FFELP or FDLP loan first disbursed before October 1, 1998.

Death discharge provisions effective July 1, 2003.

Unpaid school refunds granted on or after July 1, 2000, for loans disbursed in whole or in part on or after January 1, 1986.

Total and permanent disability discharge requests received by a lender on or after July 1, 2007, unless implemented earlier by the guarantor.

Basis: NCHHELP/Default Aversion and Claims Standardization (DACS) subcommittee matrix of total and permanent disability (TPD) provisions for comakers and endorsers dated June 13, 2006; Final Rules published in the *Federal Register* on November 1, 2002, pages 67067 - 67069.

Policy Information: 962/Batch 141

Guarantor Comments: None.

This, that, and the other

Federal agencies are offering student loan repayments to attract and keep highly qualified employees. The FBI spent nearly \$17 million on student loan repayment benefits for 1,900 employees in FY 2006. The Pentagon provided more than \$4.6 million in student loan repayments to 1,383 employees, including 198 mechanical engineers, 128 nuclear engineers and 94 electronics engineers.

A report recently sent to Congress on the federal student loan repayment program showed that spending for loan repayments has grown by tenfold since the program's rules were revamped in late 2001.

Under the program, agencies may provide up to \$10,000 a year to employees who sign an agreement to remain at their agencies for at least three years. The lifetime maximum that can be provided is \$60,000.

The report, prepared by the Office of Personnel Management, showed that 34 agencies in FY 2006 spent about \$35.9 million on the benefit, providing an average loan repayment of \$6,245 to 5,755 employees. Compared with FY 2005, that represented a 31 percent increase in the number of employees in the program and a 28 percent increase in spending.

To read the entire *Washington Post* article on the government's student loan repayment program, visit www.washingtonpost.com/wp-dyn/content/article/2007/04/30/AR2007043001651.html?hpid=topnews?hpid=topnews.



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