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Tip^{of}the Week

Before they come to campus, give your students some helpful information about managing credit cards. Credit cards can be an all-too-easy temptation for cash-strapped students. You'll find some great tips online through TG's *Adventures In Education* Web site at www.aie.org/College/Paying/Earning/Credit/index.cfm.

Federal updates

Secretary releases letter urging early, voluntary compliance with proposed regulations

On August 9, Education Secretary Margaret Spellings released an Electronic Announcement in which she encourages schools and lenders to consider early implementation of certain elements of the proposed regulations regarding preferred lender lists and prohibited inducements.

Although the proposed regulations, published in the June 12, 2007 *Federal Register*, will not take effect until July 1, 2008, Secretary Spellings recommends that schools "act now to assure students and parents that we have their best interests at heart." Specifically, she urges schools to:

- Protect the borrower's choice of lenders;

- Base lists of preferred, recommended, or suggested lenders, if provided by your institution, solely on the best interests of the student or parent borrowers, considering factors such as interest rates, fees, and loan benefits provided by the lender to the borrower;
- Not request or accept any payments or benefits of any kind from a lender in exchange for being included on a preferred or recommended lender list or in exchange for the school recommending the lender to its students or parents;
- Clearly and fully disclose to students and parents the criteria and process used to select the lenders for preferred, recommended, or suggested lender lists;
- Ensure that employees of lenders who make loans to students or their parents do not identify themselves as employees of the institution of higher education and that employees or agents of a lender, servicer, or guaranty agency do not work in or provide staffing to an institution's financial aid office unless they do so at fair market value; and
- Ensure that the institution's employees will not receive any gift, including travel gifts, of more than nominal value from any lender, servicer, or guaranty agency.

In addition, the Secretary recommends that lenders incorporate the following principles into their business practices:

- Not provide any payments or benefits to an institution and its employees in exchange for being included on that institution's preferred, recommended, or suggested lender list;
- If included on a school's list of preferred, recommended, or suggested lenders, clearly and fully disclose any promises or offers relating to the terms of the loans or any services to borrowers that your organization made to be included on the list;
- Ensure that the employees of your organization and its contractors do not identify themselves as employees of a school and refrain from providing employees or agents to work in or provide staffing to a school's financial aid office unless they do so at fair market value;
- Refrain from offering anything of more than nominal value, including travel, to an employee of any institution;
- Refrain from providing payment or gifts of more than nominal value to employees or agents of an institution who serve on an advisory board for your organization; and
- Restrict use of the Department's National Student Loan Data System (NSLDS) to authorized personnel and for authorized purposes only.

For more information

To read the Electronic Announcement and Secretary Spellings' letter, visit <http://ifap.ed.gov/eannouncements/0809SMSLetterCover.html>.

ED issues general provisions proposed regulations

On the heels of the proposed regulations for the Academic Competitiveness Grant (ACG) and National SMART Grant programs issued by ED last Tuesday came the long-awaited proposed regulations for general provisions. Published in the August 8, 2007 *Federal Register* (available at <http://a257.g.akamaitech.net/7/257/2422/01jan20071800/edocket.access.gpo.gov/2007/pdf/E7-15314.pdf>), the proposed regulations address the topics discussed in negotiated rulemaking and reflect the ideas agreed upon by the federal and non-federal negotiators. The proposed changes are grouped into the following categories:

- Consolidation and alignment of definitions for various terms that currently exist in several sections of the regulations
- Payment period definitions and disbursement requirements
- Definition of independent study for direct assessment programs
- Treatment of Title IV grant and loan funds if a recipient does not begin attendance
- Post-withdrawal disbursements of grant funds directly to a student
- Cash management, including minor prior-year charges, electronic disbursements, late disbursements, and excess cash
- Single disbursement for Perkins and FSEOG awards
- Minimum loan period
- Annual loan limit progression
- Pell grant calculation

Submitting comments

ED will accept comments on the proposed regulations through September 7, 2007, after which final regulations will be issued. Comments may be submitted through the Federal eRulemaking Portal at www.regulations.gov. Under "Search Documents," go to "Optional Step 2," then select "Department of Education" from the "Federal Department or Agency" drop-down box. In the "Docket ID" column, select ED-2007-OPE-0134 to add or view public comments.

More information

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

TG updates

TG offers schools added flexibility in disclosing their lender list selection process

Although proposed regulations governing preferred lender lists have not yet taken effect, many schools want to add more transparency to their lender list selection process now. TG takes these concerns seriously. In fact, TG recently added a new feature to its Web-based student loan application software — TG Loans By Web™ — to help schools make a full and clear disclosure to borrowers about lender list selection.

This new feature — located on the lender selection page of TG Loans By Web — provides a space that schools can use to describe their process and criteria for choosing and recommending lenders. The disclosure offers one more way that schools can responsibly ensure that borrowers understand their loan options.

Easy update format

TG provides a simple and direct way for schools to add a lender list disclosure to TG Loans By Web — through the Institution Administration area of AdvanTG Web™. Users with the proper rights need only log in to AdvanTG Web, select “Institution Administration,” and choose the “Preferred Lender List” option. On the “Preferred Lender List” page, schools must select the “Display to borrower” checkbox and enter text to display. This information will then appear to borrowers using the TG Loans By Web software.

Schools can enter up to 500 characters in the text box. They should also keep in mind that the “Display to borrower” checkbox must be checked for text to be entered in the text box.

Here’s a sample disclosure as it might appear on the lender selection page in TG Loans By Web.

“Lender List Determination Criteria: To clearly and fully disclose to students and parents the criteria and process used to select the lenders for preferred, recommended, or suggested lender lists. Your school has selected the above lenders based on a complete analysis of the following borrower benefits: customer service and responsiveness.”

To learn more

For questions about the new disclosure feature in TG Loans By Web, contact TG product support at (800) 332-1455, or send an e-mail to product.support@tgsic.org.

Trends and issues

Sticky situations: Modules and mini-sessions

A school with standard term-based programs (semesters, trimesters, or quarters) often does creative things with some of its terms to provide students with flexible scheduling and coursework options. Many of these creative approaches include the use of modules and/or mini-sessions, particularly in the summer.

But such arrangements sometimes leave the financial aid office (FAO) asking itself several confusing questions: How does the FAO certify loans and schedule disbursements for modules and mini-sessions? How does the FAO handle the situation when a student drops a class during a module or mini-session? And how does the FAO handle the situation when a student withdraws from the school during a module or mini-session?

This article is another installment in our series on sticky situations that come up occasionally in the Title IV programs — see previous articles in editions [384](#), [390](#), [394](#), [402](#), and [409](#) — and addresses some common issues that arise with modules and mini-sessions.

Laying the groundwork

First, what are modules and mini-sessions? While not defined explicitly in ED guidance, modules and mini-sessions are generally understood as shorter periods in which a student could enroll within the bounds of a longer term. ED sheds light on the nature of modules on pages 5-69 to 5-70 of the 2007-08 *Federal Student Aid Handbook*. According to guidance received from ED's Office of Postsecondary Education (OPE), in the context of the use of the term "module" on those pages, modules and mini-sessions are the same.

Second, how does a school treat modules or mini-sessions with respect to the longer term? A school has the option to treat all of its mini-sessions as individual nonstandard terms or can combine them into a single standard term (per the 2006-07 *Federal Student Aid Handbook*, page 3-39). The school must be consistent for all students enrolled in the same academic program and for all Title IV purposes.

How does the FAO certify loans and schedule disbursements for modules and mini-sessions?

If a school treats its mini-sessions as a single standard term, the school certifies a loan period that begins on the first day of the first mini-session the student is scheduled to attend and ends on the last day of the last mini-session the student is

scheduled to attend. The student's cost of attendance for the loan period should include costs only for the mini-sessions that the student is scheduled to attend.

The earliest the school may deliver the first disbursement of the loan — for a student who is not subject to delayed disbursement — is 10 days before the start of the first mini-session the student is scheduled to attend. If the school is not exempt from the multiple disbursement requirement, and the student does not plan to enroll in all mini-sessions, the second disbursement may not be made until the mid-point is reached when the student is actually enrolled and in attendance.

For example, if a student is scheduled to attend mini-sessions 1 and 4 only, even though the midpoint of the term would normally be the beginning of mini-session 3, the mid-point for this student is the beginning of mini-session 4.

If a school treats its mini-sessions as individual nonstandard terms, then the whole program is considered a nonstandard program. A nonstandard program's minimum loan period is the length of the student's program at the school, the school's academic year, or the student's remaining period of enrollment for the program of study at the school, whichever is less. The disbursements would coincide with the payment periods, which would be one per term.

What does the FAO do when a student drops a class during a module or mini-session?

If the school treats its mini-sessions as separate nonstandard terms, an undergraduate student would have to be enrolled for 12 credit hours in a mini-session in order to be considered full time for that mini-session. Thus, if a student dropped a class in a mini-session treated as a nonstandard term, that drop would affect the enrollment status of that nonstandard term only.

If the school combines the mini-sessions into a single standard term, a student would only have to enroll for 12 credits total — in all mini-sessions combined — in order to be considered full time for that term. Thus, if a student dropped a class during a mini-session of a combined standard term, that drop would affect the enrollment status for the full combined term. If a student dropped a class for a future mini-session of a combined standard term, that drop would similarly affect the enrollment status for the full combined term.

For example: A school has a summer term with two mini-sessions and combines the mini-sessions into a single standard term. A student is enrolled in both mini-sessions at three hours each — for a total of six hours, thus half time. The student's school has certified a Stafford loan for the student for the full summer term. Per the *Common Manual* subsection 8.7.F, unless a student is subject to delayed delivery, and as long as the student is enrolled at least half time for the full term, the school may deliver the first disbursement of the student's Stafford loan funds up to 10 days prior to the beginning of the first mini-session in which the student is enrolled. Since the student is enrolled in the first mini-session of the term, the school may

deliver the student's funds up to 10 days before the first day of the first mini-session.

If the school delivers the student's loan based on at least half-time enrollment at the beginning of the first mini-session of the summer term, and the student completes the first mini-session but subsequently drops the class for the second mini-session, the student is not considered withdrawn — the student is considered to have dropped from half time (6 hours) to below half time (3 hours). The school is not responsible for recovering the delivered loan funds. However, if there are any undelivered loan funds, the school cannot deliver those funds because the student is now enrolled less than half time — unless the school is able to offer those funds in a late delivery.

For more information on the conditions for late delivery, see the *Common Manual* subsection 8.7.E.

What does the FAO do when a student withdraws from the school during a module or mini-session?

The actions that a school must take when a student withdraws from the school during a module or mini-session vary, as outlined below. The following guidance is derived from the 2007-08 *Federal Student Aid Handbook*, pages 5-69 to 5-71; the NASFAA publication "NASFAA Answers Summer Financial Aid Questions" (see link under "More information" below); and responses to direct inquiries sent to ED's OPE. For the sake of simplicity, the guidance refers only to "mini-sessions," but "modules" could be substituted in the text and the same guidance would apply.

- If a school considers its mini-sessions as separate nonstandard terms, and a student withdraws from a mini-session, the school must consider the student withdrawn for Title IV purposes and perform the R2T4 calculation, either on a payment period or period of enrollment basis, depending on how the school chooses to complete the calculation. The school would calculate the percentage of the period completed by dividing the number of days the student attended within the mini-session by the total number of days in the payment period or period of enrollment.
- If a school considers its mini-sessions as combined into a single standard term, and a student withdraws from a mini-session, the school may or may not have to perform the R2T4 calculation.
 - If a student does not complete at least one course by the end of the term, the school must consider the student to be withdrawn for Title IV purposes and perform the R2T4 calculation. The school would calculate the percentage of the period completed by dividing the total number of days the student has attended by the total number of days in the mini-sessions that the student was scheduled to attend.
 - If a student completes a course from one mini-session but withdraws from a subsequent mini-session, the student is not considered withdrawn for Title IV

purposes. The school is not required to perform the R2T4 calculation, because the student has completed at least one course by the end of the term. The student's actions represent, per the 2007-08 *Federal Student Aid Handbook*, page 5-21, "a change in enrollment status not a withdrawal," similar to the actions of a student who, in a fall semester not composed of mini-sessions, drops from 12 credits to 9 credits, or even from 6 credits to 3 credits. As long as the student does not drop down to 0 credits, the student is not considered withdrawn for R2T4 purposes.

However, it is important to remember, as stated on pages 5-70 and 5-71 of the 2007-08 *Federal Student Aid Handbook* that, because of this change in enrollment status, the school would be required to recalculate any Pell Grant award in accordance with 34 CFR 690.80(b)(2)(ii). The school must complete this recalculation, because the student failed to begin attendance in the required number of credit hours for which the Pell grant was awarded.

In addition, per *Dear Colleague Letter* GEN-00-24, the school would also be required to revise the student's cost of attendance in the event institutional charges were changed as a result of the reduced enrollment and in order to eliminate living expenses for periods of non-attendance; the school would then have to recalculate the student's eligibility for any campus-based aid that had been awarded. A change in enrollment status to less than half time as a result of the failure to begin attendance in all subsequent mini-sessions would not affect the student's eligibility for any FFELP or Direct Loan Program funds previously delivered.

- If a student withdraws from the first mini-session, but the student is enrolled in — and the school has obtained confirmation from the student that the student intends to attend — a future mini-session within the term, the school is not required to consider the student withdrawn for Title IV purposes. Again, the student's actions represent "a change in enrollment status not a withdrawal," and the school does not have to perform the R2T4 calculation. For confirmation, a school may not rely upon the student's previous registration. Rather, the confirmation from the student must be obtained at the time of, or after, the student's withdrawal.
- Of course, if the student subsequently does not attend the future mini-session as intended, or begins and ceases attendance prior to the end of the term (thus ensuring that the student will not complete at least one course by the end of the term), the school must consider the student withdrawn for Title IV purposes and complete the R2T4 calculation. Again, the school would calculate the percentage of the period completed by dividing the total number of days the student has attended by the total number of days in the mini-sessions that the student was scheduled to attend.

More information

For more information on how to handle mini-sessions/modules and disbursements, drops, and withdrawals, refer to the following sources:

- ED's presentation "Need Analysis and Determining Eligibility in Crossover Periods" from the 2001 NASFAA Conference located at ifap.ed.gov/presentations/2001finalcrossovers.html
- NASFAA's publication "NASFAA Answers Summer Financial Aid Questions," located at www.nasfaa.org/publications/2003/reg2003backup/rsummerqa060903.html
- *Dear Colleague Letter* GEN-00-24, located at www.ifap.ed.gov/dpcletters/gen0024.html
- The 2007-08 *Federal Student Aid Handbook*, pages 5-69 to 5-71

For questions on these topics, call TG customer assistance at (800) 845-6267 or send an e-mail message to cust.assist@tgslc.org.

Give yourself an entrance/exit counseling checkup

With the traditional fall semester just a couple of weeks away, schools will be making sure that their first-time Stafford loan borrowers complete entrance counseling. Now is the time to double-check that the entrance and exit counseling you are providing to your students has all of the requisite components.

Requirements are listed below.

Entrance counseling

According to federal regulations, entrance counseling must explain to the Stafford loan borrower:

- The use of the Stafford Master Promissory Note (Stafford MPN)
- The seriousness and importance of acquiring loan debt
- The likely consequences of default
- The borrower's obligation to repay the loan even if the borrower doesn't complete or doesn't like his or her education

Entrance counseling must also provide the borrower with sample monthly loan repayment amounts based on either:

- Several levels of student indebtedness
- The average indebtedness at the school or in the same program of study at the school

In addition to the required components, a school may choose to include, in its entrance counseling sessions, information on:

- Other types of available financial aid
- The importance of budgeting and managing living expenses
- The terms and conditions of the loan
- The student's rights and responsibilities
- An overview of repayment, deferment, forbearance, cancellation options and conditions, loan consolidation, and refinancing options
- The school's policy on the frequency of annual loan limits
- The school's refund, withdrawal, and satisfactory academic progress (SAP) policies
- Information on the consequences of borrowing several education loans and of delinquency and default
- An explanation of loan sales and the servicing of loans
- The importance of reading and retaining loan records
- The importance of communication with the lender

Exit counseling

According to federal regulations, exit counseling must explain the same topics required in entrance counseling, plus the following:

- The availability of various repayment options, including the standard, graduated, income-sensitive, and extended repayment terms, as well as consolidation
- Debt-management strategies
- The conditions for the deferment, forbearance, and discharge of a Stafford loan
- The availability of ED's Student Loan Ombudsman's office
- The availability of the National Student Loan Data System (NSLDS) for information about a student's federal student aid awards

In exit counseling, a school must also ensure that the borrower provides the following information, which the school must subsequently provide to the guarantor within 60 days of receipt:

- The borrower's current name, address, Social Security Number, references, and driver's license number (including state of issuance)
- The name and address of the borrower's next of kin

- The borrower's expected permanent address (if known)
- The name and address of the borrower's expected employer (if known)

To learn more

Whatever your school's method of offering entrance and exit counseling, ensure that it meets standards set by the Department of Education. The *Federal Student Aid Handbook* enumerates many of these specifications. The *Common Manual* includes them in various sections, including 4.4.B and 4.4.C, which are titled "Entrance Counseling" and "Exit Counseling," respectively.

For questions about entrance and exit counseling, contact TG's customer assistance team at (800) 845-6267, or send an e-mail message to cust.assist@tgslc.org.

Question of the week

Q.: Can a borrower receive teacher loan forgiveness for his or her Federal Consolidation loan?

A.: Assuming that the borrower meets all applicable eligibility criteria, a borrower may receive teacher loan forgiveness for a Federal Consolidation loan, but only on the portion of the Consolidation loan that was used to repay the borrower's qualifying Stafford loan(s).

Let's review an example. A student borrows Stafford loans to pay for his undergraduate degree, and Stafford and Grad PLUS loans to pay for his graduate degree. The borrower has \$15,000 in Stafford loan debt and \$5,000 in PLUS loan debt. The borrower graduates and consolidates all of his loans; the borrower now has a Consolidation loan of \$20,000. The borrower subsequently performs five years of qualifying service for teacher loan forgiveness as a special education teacher. Note that the borrower could request a forbearance from his lender for the underlying portion of the loan that may be eligible for teacher loan forgiveness (the Stafford loan) for each of the five years of qualifying service. The borrower applies for the \$17,500 forgiveness amount. Since the borrower can receive forgiveness only on the portion of the Consolidation loan that was used to repay the borrower's qualifying Stafford loan(s), the borrower may receive forgiveness on the underlying Stafford loan amount—for the original principal plus any accrued interest—up to a total of \$17,500. The borrower may not receive forgiveness for any of the underlying PLUS loan portion of his Consolidation loan.

For more information about the Teacher Loan Forgiveness Program, see the *Common Manual* subsection 13.9.B and visit *TG Online* at www.tgslc.org/borrowers/tlf.cfm.

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.

Legislative update

After several years of inaction during the 108th and 109th Congresses, the Higher Education Act (HEA) reauthorization is finally nearing completion. The conference committee report on the budget reconciliation bills will be passed by the House and Senate in September after the committee staffs adjust the differences between the House-passed and Senate-passed versions of the legislation during the August congressional recess. The provisions included in the Senate-passed HEA reauthorization legislation may be included in the conference committee deliberations, or may be taken up later in the fall by the House. Learn more about the latest developments with reauthorization and the budget reconciliation process by reading the full *Legislative Report on TG Online* at www.tgslc.org/lege_report/index.cfm.

This, that, and the other

On August 2, 2007, TG guaranteed the largest single-day dollar volume of student loans in its history — \$89,402,617. About 13,000 students received a guarantee for well over 16,000 loans. Only 113 of these loans were “rejected” for errors in processing, which could be due to incomplete or incorrect information or the student’s requested a Stafford loan amount that exceeds his or her aggregate loan limit.

The volume of the August 2 guarantees — and certainly the speed with which they were processed — pays testament to the strength and efficiency of TG’s technology. It also puts a spotlight on the behind-the-scenes workings of its loan guarantee staff, who work long hours during peak season ensuring all applications are processed quickly. TG’s loan guarantee team diligently reviews applications that have been rejected, tracking down incomplete or missing information and fixing all problems that can be fixed. Its objective is to save time for schools and students during the guarantee process and ensure students a timely guarantee.

To learn more about TG’s guarantee processes, contact the loan guarantee operations team at (800) 446-5616, or send an e-mail message to lgo.helps@tgslc.org.



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To ask questions about *Shoptalk Online*, please contact Communications at (800) 252-9743, ext. 4732 or communications@tgslc.org.

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