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Tip^{of} the Week

Get your students off to a good start in managing credit and debt with help from TG's *Adventures In Education* (AIE™). AIE's Web pages on credit and debt offer students some great information on handling credit cards, including tips on use, a glossary of credit terms, and a short tutorial on credit scores and reports. You'll find these pages at www.aie.org/College/Paying/Earning/Credit/index.cfm.

Federal updates

Congress passes reconciliation bill

Congress returned last week from the August break ready and eager to continue work on pending higher education-related legislation. Completion of a budget reconciliation bill was of primary interest, and, in short order, legislators finalized HR 2669, the College Cost Reduction and Access Act, through the conference committee process, followed by approval by both the House and Senate on September 7. Despite warnings that the administration would veto earlier, similar legislation, President Bush has indicated he intends to sign HR 2669.

The final version of the bill is a synthesis of various House and Senate bills that were previously developed and considered, and as such it contains many provisions likely to be familiar to members of the financial aid industry. Provisions in the College Cost Reduction and Access Act may be grouped into several categories, including, among other provisions, the following:

Loan terms and repayment

- Establishes a new income-based repayment option for borrowers, under which a borrower's loan payments will not exceed 15 percent of discretionary income or 15 percent of the amount that a borrower's (and spouse's if applicable) adjusted gross income exceeds 150 percent of the poverty line, divided by 12. PLUS loans made on behalf of a dependent student and Consolidation loans that include such PLUS loans are not eligible for this repayment option.
- Removes the three-year limitation on the military deferment and extends the deferment through 180 days following demobilization. Available to FFEL, Direct loan, and Perkins loan borrowers, regardless of the date the loan was disbursed.
- Creates a new 13-month deferment for borrowers who return from active duty and who were enrolled in an eligible institution prior to being called or ordered to active duty.
- Establishes a Direct loan forgiveness program for public service employees.
- Reduces the fixed interest rate for undergraduate subsidized Stafford loans (FFEL and Direct) from 6.8 percent to 3.4 percent over 4 years:
 - For loans first disbursed on or after July 1, 2008, and before July 1, 2009, the rate will be 6.0 percent;
 - For loans first disbursed on or after July 1, 2009, and before July 1, 2010, the rate will be 5.6 percent;
 - For loans first disbursed on or after July 1, 2010, and before July 1, 2011, the rate will be 4.5 percent;
 - For loans first disbursed on or after July 1, 2011, and before July 1, 2012, the rate will be 3.4 percent;
 - For loans first disbursed on or after July 1, 2012, the rate will revert back to 6.8 percent.

Changes to FFELP administration

- Reduces the special allowance payment (SAP) for for-profit lenders by 55 basis points for Stafford and Consolidation loans, and 85 basis points for PLUS loans; this applies to loans first disbursed on or after October 1, 2007.
- Reduces the SAP for not-for-profit lenders by 40 basis points for Stafford and Consolidation loans, and 70 basis points for PLUS loans; this applies to loans first disbursed on or after October 1, 2007.
- Reduces the guarantor collection retention rate from 23 percent to 16 percent, effective October 1, 2007.
- Reduces the Account Maintenance Fee from 0.10 percent to 0.06 percent.

- Increases the lender paid origination fee for FFELP loans first disbursed on or after October 1, 2007, from 0.5 percent to 1.0 percent.
- Requires a pilot program to auction FFELP parent PLUS loans for new borrowers on or after July 1, 2009.
- Reduces lender insurance from 97 percent to 95 percent for loans disbursed on or after October 1, 2012. Lender of last resort loans and exempt claims will remain insured at 100 percent.
- Eliminates the exceptional performer designation, effective October 1, 2007; lenders designated as exceptional performers prior to October 1, 2007, may retain that designation for the remainder of the year for which it was made.

Grants to students and need analysis

- Repeals tuition sensitivity in the Pell Grant Program, effective for award years beginning on or after July 1, 2007;
- Increases the maximum Pell grant award annually beginning in 2008-09, from the current \$4,310, as follows:
 - \$4,800 for the 2008-09 and 2009-10 award years;
 - \$5,000 for the 2010-11 and 2011-12 award years;
 - \$5,400 for the 2012-13 award year;
- Establishes a new TEACH (Teacher Education Assistance for College and Higher Education) Grant Program for teacher candidates who meet eligibility criteria and agree to a teaching commitment. The awards — up to \$4,000 per year and not to exceed a total of \$16,000 for undergraduate students or \$8,000 for graduate students — will be available to qualified teacher candidates beginning July 1, 2008.
- Increases the income levels necessary to qualify for the simplified needs test and auto-zero EFC beginning July 1, 2009.
- Increases the income protection allowance beginning July 1, 2009.

Reauthorization

Although the Senate approved its reauthorization bill (S 1642) on July 24, the House has not yet developed a comprehensive reauthorization bill.

More information

To access the text of HR 2669, go to the House Education and Labor Committee Web site at http://kenedy.senate.gov/imo/media/doc/HR2669_conf_report.pdf.

ED issues DCL providing guidance on release of student information

Last week, ED released *Dear Colleague Letter* (DCL) GEN-07-05 in response to reports that outside agencies have requested information from schools about students or former students under the Federal Freedom of Information Act (FOIA). ED reminds schools that, since the federal FOIA applies only to certain federal agencies and their employees, schools are not subject to the federal FOIA and therefore are not required to release any student information under this law.

ED also reminds schools that the requirements of the Federal Family Educational Rights and Privacy Act (FERPA) prohibit a school from disclosing personally identifiable information from a student's education records without his or her prior written consent, except as specified by law. For example, in certain circumstances a school may disclose information to other school officials and government agencies, such as ED. In the case of a FFELP borrower, the borrower authorizes when completing the Stafford and PLUS Master Promissory Notes that information pertinent to the borrower's loans may be released by and among schools, lenders, guarantors, ED, and their agents.

Directory information

Another exception to FERPA permits a school to release information it designates as "directory information" — such as a student's name, address, telephone listing, e-mail address, major field of study, and other information that generally would not be considered harmful or an invasion of privacy; but the school may not release directory information that is linked to non-directory information, such as information about a student's financial aid status.

Therefore, if a school receives a request for information about a student's financial aid status, or, if the request is only for directory information for students who have received student financial aid, the school is restricted from releasing that information without first obtaining the student's or former student's written consent. Regulations in 34 C.F.R. §99.30 and §99.31, available at www.ed.gov/policy/gen/guid/fpco/index.html, provide specific information about written consent and permissible exceptions.

ED suggests that schools consult with their legal counsel to ensure that any release of information is consistent with the requirements of FERPA and any applicable state public disclosure or privacy laws.

For more information

To access DCL GEN-07-05, go to the Information for Financial Aid Professionals Web site at <http://ifap.ed.gov/dpclletters/GEN0705.html>. For more information about FERPA, see the 2007-08 *Federal Student Aid Handbook*, pages 2-108 through 2-111; and ED's Family Policy Compliance Office Web site at www.ed.gov/policy/gen/guid/fpco/index.html.

ED releases FY 2005 cohort default rates

On September 10, ED released the official cohort default rates for FY 2005. All domestic schools that signed up for the Electronic Cohort Default Rate (eCDR) process will receive their FY 2005 official rate electronically via their Student Aid Internet Gateway (SAIG) mailboxes. Domestic schools not signed up for the eCDR process will have to get their cohort default rates from the National Student Loan Data System (NSLDS).

Changes for foreign schools

As announced in the August 13, 2007, *Federal Register*, ED is phasing out hardcopy and CD-ROM transmission of draft and official cohort default rate packages to foreign schools and replacing those processes with electronic transmission packages via SAIG. Foreign schools that have not yet established SAIG access will continue to receive their cohort default rate notification documents in hardcopy and CD-ROM format. This change is effective for each foreign school as of the date ED advises the school that access to SAIG has been established. The entire *Federal Register* announcement is available online at <http://a257.g.akamaitech.net/7/257/2422/01jan20071800/edocket.access.gpo.gov/2007/pdf/E7-15806.pdf>.

Loan Record Detail Report

A school with an FY 2005 cohort rate of 10 percent or greater should receive a Loan Record Detail Report (LRDR) along with ED's notification of the official cohort default rate. If a school does not receive its report or wishes to request the LRDR in an electronic format (also known as the eLRDR), the school may request an FY 2005 eLRDR through ED's NSLDS Web site at www.nslidsfap.ed.gov. For more details about the eLRDR, visit www.ifap.ed.gov/eannouncements/0211Draft2000eLRDR.html.

Consequences of high cohort default rates

A school with an official cohort default rate of 25 percent or greater for the three most recent fiscal years (FY 2003, FY 2004, and FY 2005) is subject to loss of eligibility to participate in the FFELP, Federal Direct Loan Program, and Federal Pell Grant Program, unless the school successfully appeals the eligibility loss. A school with high cohort default rates that was not participating in the FFELP or Direct Loan Program on October 7, 1998, and has not participated in either of those programs since that time, is exempt from the loss of Pell Grant Program eligibility.

A school with an official FY 2005 cohort default rate that is greater than 40 percent may lose its eligibility to participate in the FFELP and Direct Loan Program, unless the school successfully appeals the eligibility loss.

Appeals and adjustments

A school that is subject to sanction because of a high official FY 2005 cohort default rate may appeal its rate within 30 days of receiving notification of sanction. The

school may appeal if it feels the sanction is based on allegations of incorrect data, improper loan servicing and collection, and/or exceptional mitigating circumstances, as described in federal regulations and the *Cohort Default Rate Guide*.

As in the past, appeals based on incorrect data and improper loan servicing of FFELP loans must be submitted to the school's guarantor(s) within specified time frames to permit the school's continued eligibility while the appeal is pending. A school must submit an appeal regarding exceptional mitigating circumstances directly to ED. A school must also submit any appeal pertaining to Direct loans directly to ED.

A school also may be eligible to submit an Uncorrected Data Adjustment or a New Data Adjustment based on official FY 2005 cohort default rates. The *Cohort Default Rate Guide* explains the procedures, time frames, and other requirements for submitting these requests for adjustment.

Appeals to TG's compliance administrative operations

Schools are advised to send cohort default rate appeals to TG's compliance administrative operations at the corporate mailing or overnight shipping address, as appropriate:

Mailing address

TG
Attn: Compliance Analyst
P.O. Box 83100
Round Rock, Texas 78683-3100

Overnight delivery services

TG Distribution Center
Attn: Compliance Analyst
3500 Wadley Place, Building C, Suite 303
Austin, Texas 78728-1244

Time frame for appeals

The time frame for a domestic school, and for a foreign school that has established SAIG access, to initiate the appeal process begins the sixth business day following the announced transmission date of the eCDR packages. In other words, if the announced transmission date is September 10, 2007, the appeal clock starts ticking on September 18, 2007. For a foreign school that has not yet established SAIG access, time periods for the institution to submit challenges, adjustments, and appeals will begin on the date that the institution received the encrypted password-protected CD-ROM and the letter with the password for decrypting the CD-ROM.

Guide available online

You can download the latest version of ED's *Cohort Default Rate Guide* at <http://ifap.ed.gov/DefaultManagement/CDRGuideMaster.html>. Please note that updates to this publication will be reflected only at <http://ifap.ed.gov/drmaterials/changelog.html>. Therefore, periodic review of this site is recommended for maintaining an up-to-date version of the Guide.

Questions?

For questions about the FY 2005 official cohort default rate and appeal procedures, contact Ken Johnson in TG compliance administrative operations at (800) 252-9743, ext. 4701, or send an e-mail message to ken.johnson@tgsic.org.

TG updates

National initiative enhances English-Spanish glossary related to higher education

A national consortium of organizations involved in student financial aid and other educational services, including TG, has released the third edition of an English-Spanish glossary of terms relating to access to higher education — a version that now includes a searchable online database.

The new glossary — which aims to promote greater consistency in the vocabulary used in Spanish-language materials about higher education — now offers a Spanish definition for about 2,150 terms. Developed in 2004, the first two editions of the glossary consisted of an alphabetical listing of English terms translated into Spanish. Users now will have the additional option of accessing a Web site link and typing in an English term to instantly obtain the Spanish translation.

Some of the new terms in the glossary relate directly to the FAFSA on the Web and the Federal Student Aid PIN Web Site, which are maintained by ED. The PIN (personal identification number) can be used each year when electronically submitting the Free Application for Federal Student Aid (FAFSA) on FAFSA on the Web. It can also be used to access a student's records with ED.

Common reference promotes consistency

The English-Spanish glossary and database provide a consistent and easy-to-use resource for those who create Spanish-language materials and Web site content about higher education and student financial aid. The glossary is intended to be used as a common reference by secondary school administrators, postsecondary admissions and outreach professionals, and academic advisors. Use of the glossary is entirely voluntary.

Most studies indicate that when compared to other ethnic groups, Hispanics are less likely to continue their education beyond high school. Factors for this trend include

a lack of awareness in Hispanic communities about the financial resources available to help pay for college, and the need or preference among Hispanic parents and students for information in Spanish.

Consortium authors

The English-Spanish glossary is the product of a consortium of organizations, including TG. Other organizations involved in the initiative include the National Association for College Admission Counseling, National Association of Student Financial Aid Administrators, National College Access Network, National Council for Community and Education Partnerships, National Council of Higher Education Loan Programs, Educamexus, and ED.

To learn more

You can find the glossary at www.tgslc.org/pdf/Spanish_glossary.pdf in an easily searchable Portable Document Format (PDF). The link to the searchable database is located at www.tgslc.org/spanish/glossary/.

Meet John Gill, TG's director of data reporting



The difference between getting a student loan and not getting one can sometimes hinge on the all-important information that schools, lenders, and guarantors report to the National Student Loan Data System (NSLDS). NSLDS offers an historical picture of what loans students take out. That picture tells schools whether and what type of loans students are eligible for. Ensuring this historical record is up-to-date, accurate, and comprehensive — at least for the share of loans that TG guarantees — is the job of TG's data reporting team, a vital link in the communication chain with the Department of Education (ED).

John Gill leads TG's data reporting team. With over nine years experience in information technology — all of it with TG and another guarantor — John is well equipped to manage TG's data reporting efforts. John is a veteran of the industry workgroups that hammer out the electronic standard or "language" by which schools, lenders, and guarantors share loan information. In fact, John played a leading role in creating some of those standards, including POP3 (Post Office Protocol 3) and FTP (File Transfer Protocol). These are the standards by which most loan information is exchanged, and they're important for several reasons: They reduce the risk that non-public information, or NPI, will be compromised, and they help ensure that information gets shared between the right players.

Add to this experience John's work with industry committees like the Electronic Exchange Advisory Team (EEAT), which serves the National Council of Higher Education Loan Programs (NCHELP). The EEAT, along with a committee from the Postsecondary Electronic Standards Council (PESC), developed a new encrypted transport standard for loan sharing — or Data Transport Standard (DTS) — which offers a common way for all educational information — from K-12 and beyond — to

be transmitted. With a varied work history like this, it's no wonder John has developed a keen insight into what schools, lenders, and guarantors need to share information.

His work with the data reporting team draws on all that knowledge for the team's many functions, including TG's twice-monthly reporting data to NSLDS. Schools use this information for apportioning financial aid, but ED also needs it to calculate accurate cohort default rates and to pay Account Maintenance Fees and Loan Processing and Issuance Fees to TG and other guarantors. The team is also responsible for ensuring that TG's service partners comply with regulatory requirements regarding data integrity.

Given his long history behind-the-scenes collaborating in industry workgroups and committees, it's no surprise that John likes the problem-solving aspects of his work. "I really enjoy helping our customers and team members find solutions to their issues," said John. "We have a very hands-on role with our customers, talking to them through e-mail or over the phone to resolve data discrepancies. I like being able to provide our customers the answers they need."

Currently, John and his team are focused on another link in the chain of communication between loan institutions — the loan-sharing component between lenders and guarantors. The team is working on an enhanced version of TG's lender-guarantor loan-sharing tool — Lender Manifest. This project should cut the time in processing Lender Manifest files and make validating — or ensuring the accuracy of these files — easier.

To learn more

To find out more, or to submit questions about data submittals, contact the data reporting team at (800) 801-8416 or send an e-mail message to good.data@tgslc.org.

Trends and issues

Question of the week

Q.: What are the conditions under which a borrower may be required to complete a new Master Promissory Note (MPN) for either a Stafford or PLUS loan?

A.: According to the *Common Manual* Section 6.16:

"A borrower must complete a new MPN for each new academic year when attending a school at which any of the following conditions applies:

- It is a foreign school not authorized by the Department to use the multi-year feature.

- The school has received notice of restricted multi-year use from the Department.
- The school has elected not to use the multi-year feature. [DCL GEN-02-07]

In addition, a new MPN is required if any of the following conditions applies:

- The lender's ability to make additional loans under the borrower's MPN has been revoked.
- The school or lender requires a new MPN.
- The borrower requests a new MPN.
- The guarantor requires a new MPN in the event of an invalid lender code.
- The prior MPN has expired.
- The borrower changes to a different lender.
- A third party with power of attorney signed the MPN on behalf of the borrower.
- The parent PLUS loan borrower is requesting funds for a different dependent student.
- The PLUS borrower is required to obtain a creditworthy endorser.
- The PLUS borrower requests an increased loan amount on a loan for which he or she was required to obtain a credit-worthy endorser."

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 tgsic.custhelp.com.

Legislative update

Congress passed and President Bush has agreed to sign into law HR 2669, The College Cost Reduction Act. HR 2699 amends Part B of the Higher Education Act (HEA) — which governs the FFELP — in ways that achieve \$21 billion in savings. About \$750 million of this amount is earmarked for deficit reduction; the remainder will go toward an increase in funding for programs mandated by Title III, IV, and V of the HEA. The bill includes most of HR 5 — The College Student Relief Act; HR 472 — The College Affordability and Transparency Act; HR 1608/S 939 — The College Aid made EZ Act and The Financial Aid Form Simplification and Access Act; S 359 — The Student Debt Relief Act; and S 938 — The Accessing College through Comprehensive Early Outreach and State Partnerships (ACCESS). The Senate has passed S 1642 — The Higher Education Amendments of 2007 — though the

president has threatened a veto. 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

They never saw Johnny Carson live on television. MTV® has never featured music videos. The Berlin Wall has not divided Berlin since they've been alive. For many of us, Johnny Carson, MTV, and the Berlin Wall are touchstones of culture — but not for the class of 2011.

At the beginning of each academic year, Beloit College in Wisconsin prepares a “mindset list” for the entering freshmen class. They've just released a 70-item list for the class of 2011 that serves to remind us how temporary many things are that we take for granted. The *Beloit College Mindset List* may also remind a few of us how quickly time passes.

This year's list is a bit “tech-heavy” — today's freshmen grew up surfing the Web and their preferred means of communication is texting. Facebook™ and MySpace™ are also essential ways to “self-advertise,” offering places to share photos and a bit of autobiography. However, there are some interesting bits of cultural trivia also: Bottled water is now ubiquitous; today, being “lame” means acting dumb and not disabled; and “Time” has always worked with “Warner,” for example.

You can find the complete *Beloit College Mindset List* for the class of 2011 at www.beloit.edu/~pubaff/mindset/2011.php.



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

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