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Tip^{of} the Week

Involve parents in entrance counseling for any students who are borrowing their first Stafford loan midyear. TG can provide a list of items to cover during entrance counseling sessions. Call (800) 338-4752 to find out more.

Federal updates

A glimmer of hope for reauthorization

In recent weeks, Congress has made significant progress toward completing the long-delayed reauthorization of the Higher Education Act (HEA). As we reported in *Shoptalk Online* edition [429](#), although the Senate passed a reauthorization bill (S 1642) last summer, and House Republicans introduced their version of reauthorization in October (HR 3746), momentum stalled as House Democrats focused on reauthorization of the No Child Left Behind (NCLB) Act. Unfortunately, the expected reauthorization of the NCLB has also failed to materialize, so once again Congress has turned its attention to the HEA. On November 9, House

Democrats introduced HR 4137, the College Opportunity and Affordability Act, which would reauthorize the HEA for five years and make numerous changes to the statute.

Issues addressed in the legislation include student loan reforms, college cost containment, increases in Pell Grant amounts, FAFSA simplification, modification of the 90/10 rule, and public service loan forgiveness. The House Education and Labor Committee has completed the mark-up process and the bill is expected to be considered by the entire House when Congress returns from its holiday break. If approved by the House, a conference committee composed of members of the House and Senate will work to craft a compromise bill that is acceptable to both chambers.

More information

To access the text of HR 4137, go to Thomas, the U.S. Congress Web site, at <http://thomas.loc.gov/>. In the space for "Search Bill Text," enter "HR 4137," click on "Bill Number," and click "Search."

Final rules 101: Loans, loans, loans

We continue this week with our coverage of changes resulting from ED's recent release of final rules for loans and general provisions (see *Shoptalk Online* edition [431](#) for our previous discussion). In this article we will focus on changes to loan discharge programs and changes that will impact the Perkins Loan Program.

Loan discharge for total and permanent disability

One of the topics during negotiated rulemaking (Neg Reg) that generated a great deal of concern over its potential impact on borrowers was ED's proposed changes to the loan discharge for total and permanent disability (TPD). While there will be few changes to the administrative responsibilities of lenders and guarantors, and no change to ED's definition of "totally and permanently disabled," the new rules indicate a shift in ED's approach to the determination of whether or not a borrower meets that definition. Currently, a borrower's three-year conditional discharge period begins from the date the borrower's disability began, as determined by a physician; in some cases, that date could be retroactive, effectively granting the borrower an immediate loan discharge.

Under the new rules, the borrower's three-year conditional period will begin on the date the physician completes and certifies the discharge application, regardless of when the qualifying condition actually began. This will allow ED to monitor each borrower's status throughout the conditional period to ensure he or she continues to meet the eligibility criteria before granting a final discharge. During the application process, or during or at the end of the conditional discharge, ED will have the authority to require additional evidence of the borrower's medical condition and an evaluation of the borrower's disability by an independent physician at no cost to the borrower.

If, at the end of the three-year conditional period ED determines that the borrower qualifies for a final discharge, it will notify the borrower of its decision and refund any payments received on the loan after the date the physician certified the discharge application.

In response to community concerns, ED stated in the preamble to the final rules that the new discharge process will be effective for borrowers who apply for a discharge on or after July 1, 2008 — borrowers in the process of having the application certified on that date will not be subject to the new rules.

Loan discharge for false certification as a result of identity theft

The final rules have made several changes to the administration of this discharge program, some of which provide additional relief to affected borrowers as well as lenders. The changes under the new rules will include:

- Allowing lenders to file a claim for up to three years after receipt of a valid identity report, if additional supporting documentation is submitted.
- Requiring lenders to suspend all credit bureau reporting for up to 120 days after receiving a valid identity theft report or a report of identity theft from a credit bureau, while making a determination of the enforceability of the loan.
- Allowing lenders to grant an administrative forbearance on a loan for up to 120 days while investigating the loan's enforceability.
- Requiring lenders to delete from the borrower's credit report any information about a loan that has been discharged due to identity theft.
- Clarification that a local, state or federal judicial determination is one that conclusively determines that a FFEL or Direct Loan was falsely certified due to the crime of identity theft only if the decision identifies the perpetrator of the crime.
- Finally, the final rules include a prohibition on a lender's collection of special allowance and interest benefits on a loan that has been determined to be unenforceable.

Perkins loan changes

Although the changes in the loan issues final rules concern primarily the FFEL and Direct Loan Programs, ED also introduced several changes pertaining to specifically the Perkins Loan Program.

- *Child or family service cancellation*

These changes are not new to the community, having previously been provided in a 1995 *Dear Colleague Letter* (DCL GEN-05-15) as well as the *Federal Student Aid Handbook*. The new rules will simply re-affirm and codify ED's long-standing policy that only service provided directly and exclusively to high-risk children —

and their families — from low-income communities meets the cancellation eligibility requirements.

- *Reasonable collection costs*

Currently, the limits on Perkins loan collection costs pertain only to rehabilitated loans. The new rules will establish maximum collection costs that a school may assess on a defaulted Perkins loan. For first collection efforts, the new rules will limit collection costs to 30 percent of the outstanding principal, interest, and late charges; for second and subsequent collection efforts, the costs will be limited to 40 percent. Costs for collection efforts due to litigation will also be limited to 40 percent plus court costs.

- *Mandatory assignment*

Although schools and school associations offered strong resistance, ED retained the mandatory assignment provisions it introduced in the proposed rules last June. Under the new rules, a school could be required, at ED's request, to assign a defaulted Perkins loan if the loan has been in default for more than seven years, the balance on the loan is more than \$100, and no payment on the loan has been received in the last 12 months (unless the reason no payment was received was because the loan was in an authorized deferment or forbearance). Recognizing that some older Perkins promissory notes may not include the borrower's Social Security Number, ED will accept a mandatorily-assigned loan without the borrower's SSN.

For more information

If you have any questions, please contact TG customer assistance at (800) 845-6267, or send an e-mail message to cust.assist@tgslc.org.

TG updates

TG offers free teleconference on the loan issues final rules

On November 1, ED released a regulations package pertaining to the Title IV loan programs. To assist our business partners in understanding and implementing these new rules, TG will provide a free teleconference including a summary of the rules and a discussion of the major provisions that will impact students, borrowers, schools, and lenders. If ED issues additional guidance prior to the teleconference in the form of a *Dear Colleague Letter*, that information will also be incorporated into the session. The teleconference, scheduled for Tuesday, December 11, from 10 a.m. - 12 p.m. (CDT), is being offered at no cost and is open and available to participants from any institution.

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

To register

To participate in the teleconference, participants must pre-register with AT&T by telephone at (877) 471-4350. When pre-registering for the teleconference, please reference Conference ID number 897137.

Participants must pre-register at least 24 hours prior to the teleconference.

More information

For more information, contact Sheila Casey at (800) 252-9743, ext. 4576, or send an e-mail message to sheila.casey@tgsllc.org.

You are invited: TG Annual Conference planned for mid-April 2008

Mark your calendars for the 2008 TG Annual Conference, which will be held April 23-25 at the Renaissance Hotel in northwest Austin. TG works to provide you a well-rounded menu of training options with a particular focus on effective regulatory training. Watch for upcoming details in future issues of *Shoptalk Online*.

A note about conference sponsorship

TG team members were approached at various times with questions about the conference, including the latest Texas Association of Financial Aid Administrators' meeting. Specifically, team members were asked if TG would still be able to offer its TG Annual Conference, and if lenders would continue to sponsor the conference.

Based on numerous industry issues related to proper conduct and appropriate behavior of participants in the FFELP, TG wants to clarify and reiterate our commitment to providing relevant training to our FFELP customers, specifically at the TG Annual Conference.

TG's mission and purpose as a FFELP guarantor is different from that of FFELP lenders and servicers. A part of our role is to specifically provide needed training. In the Texas Higher Education Fair Lending Practices Agreement, the Texas Attorney General specifically exempted TG from restrictions that have been made applicable to the "student loan lender," allowing TG to pursue its mission-related objective in an appropriate and legal way. Providing industry-related training to FFELP customers remains a critical focus of TG's mission, and we will continue to provide allowed FFELP training on an on-going basis through regional training sessions, WebEx trainings, tele-conferences, on-site training events, and through our premier training event — the TG Annual Conference.

Commencing with the 2008 Training Conference, TG will no longer solicit or accept sponsorship funds from lenders and servicers to help defray the cost of the conference. Historically, lender and servicer sponsorships have covered about 25 percent of the cost of the TG Annual Conference. However, in light of the industry discussions related to codes of conduct, new regulations and a growing concern

within the student lending industry's practices and ethics, TG management affirmatively decided during its FY 2008 budget process to increase the TG Annual Conference operating budget to pay for the conference without sponsorships of any sort from lender and servicer customers. The commitment of these funds by TG will enable TG to continue to provide the quality training and industry learning opportunities that have been the hallmark of our annual training conference.

To learn more

For questions about the TG Annual Conference, visit *TG Online* at www.tgslc.org/tgconference/index.cfm.

Tech Report

Latest AdvanTG Web™ enhancements help lenders with compliance and schools tracking credit decisions

The TG team works throughout the year enhancing TG software products to better meet customer needs and to offer even more features. In late October, TG implemented the latest round of changes to AdvanTG Web, its online loan management system. Lenders will find that they can now disclose more information to borrowers through TG Loans By Web™, and schools will like the added versatility in tracking changes to credit decisions.

Lender disclosure feature

Lenders now have the ability to include disclosure information about their institution to borrowers that use TG Loans By Web. The new disclosure function was added to the institution administration profile within AdvanTG Web. Lenders may use it to provide information to the borrower that may not be included elsewhere or that may be required to be provided at a specific point in the borrower's process, such as a disclosure that a lender has an agreement to sell the loan.

Credit change tracking for schools

A second enhancement focuses on credit decisions, which can now be updated on records that were initially denied. TG understands that credit decision changes are necessary and that schools need an effective way to track changes. To inform schools when changes are made, AdvanTG Web will clearly display a message at the top of the application detail screen. Schools will also be able to run a Credit Activity Report to find records that have been reversed from denied to approved.

By adding wording to these areas of high visibility, TG wishes to alert schools that additional action may be required. Schools may have certified additional unsubsidized funds due to the original credit denial. (To learn more about using this new feature, see the *Tool Tips* article in this edition.)

Questions?

To learn more, contact Product Support at (800) 332-1455 or send an e-mail message to product.support@tgslic.org. You can also provide feedback on these changes directly through AdvanTG Web by clicking "Contact TG" on the blue toolbar on any screen.

Tool tips: Learn more about the latest credit processing enhancements for AdvanTG Web™

This fall, TG rolled out several enhancements to its loan management product. One of these changes focused on AdvanTG Web's facilitation of PLUS credit processing. To make this feature even more flexible, TG added the ability to track changes to credit decisions, particularly when a previous credit denial is reversed.

Given the various ways that schools and lenders perform credit processing, TG would like to walk customers through the new enhancement. Below, you'll find a step-by-step guide to using the new Reversal of Previous Credit Denial function based on the process that applies to your specific institution.

For PLUS Credit Connection™ (PCC) schools — school-initiated flow

PCC schools use TG Loans By Web™ (LBW) to facilitate the credit process for PLUS loans. In this flow, the school certifies the PLUS loan and then directs the borrower to complete and submit the loan/credit request through LBW.

1. A PLUS application that is initiated by the school will be in an "L" (LBW certification) status in the school's AdvanTG Web (AW) database. The school directs the borrower to LBW.
2. Using LBW, the borrower completes and submits a loan/credit request. The school's application status changes from an "L" (LBW certification) to an "O" (awaiting lender approval). The credit request is submitted to the lender.
3. The lender initially denies credit to the borrower and submits a CommonLine (CL) 5 credit denial/response to the school, with matching CommonLine Unique ID and complete certification data from the original credit request record received by the lender. The application status changes from an "O" (awaiting lender approval) to an "F" (credit denied by lender) in the school's AW database.
4. The lender performs a "second look" credit review and is now able to approve the borrower's application.
5. The lender submits a CL5 credit approval/response to school, which continues to match the CommonLine Unique ID and complete certification data from the original credit request record. The school's application

status changes from an "F" (credit denied by lender) to a "V" (credit approved by lender).

6. The application in a "V" status will be submitted to TG for guarantee when the school next submits applications for processing.

Note: If certification data is lost on the incoming credit response from lender, the application status will now change from an "F" (credit denied by lender) to a "W" (awaiting certification – credit approved). This will prevent applications from being rejected upon submission for guarantee due to incomplete certification data on the record. The school will need to pull their applications in a "W" status in order to complete certification data. The school completes the certification information and the school submits the application for guarantee.

For PCC schools – borrower request flow

PCC schools also use LBW to facilitate the credit process for PLUS loans. In this flow, however, the school does not perform up-front certification of the PLUS loan. The school directs the borrower to initiate and submit the loan/credit request through LBW.

1. The school directs their borrower to use LBW to initiate a PLUS loan/credit request.
2. The borrower initiates and submits a PLUS loan/credit request through LBW. The school's AW database receives the application in an "O" (awaiting lender approval) status. The credit request is submitted to the lender.
3. The lender initially denies credit to this borrower and submits a CL5 credit denial/response to the school, with matching CommonLine Unique ID from the original credit request record received by the lender. The application status changes from an "O" (awaiting lender approval) to an "F" (credit denied by lender) in the school's AW database.
4. The lender performs a "second look" credit review and is now able to approve the borrower's application.
5. The lender submits a CL5 credit approval/response to school, which continues to match the CommonLine Unique ID from the original credit request record. The school's application status changes from an "F" (credit denied by lender) to a "W" (awaiting certification – credit approved).
6. The school pulls applications in a "W" (awaiting certification – credit approved) status in order to complete the certification on the application. Once the certification information is complete, the school submits the application to TG for guarantee.

For Borrower-initiated at lender (BIL) flow schools

These schools request that borrowers initiate their PLUS loan request directly with the lender through the lender's own Web site. The school electronically receives the initial notification — about the borrower's request for a PLUS loan — through the lender, who submits the information to the school's AW database:

1. The borrower uses the lender's Web site to submit a PLUS loan request.
2. The lender initially denies credit to the borrower and submits a CL5 credit denial/response to the school. The school's receives the initial application in an "F" (credit denied by lender) status in their AW database.
3. The lender performs a "second look" credit review and is now able to approve the borrower's application.
4. The lender now submits a CL4 certification request response to school, with matching CommonLine Unique ID on the existing "denial" record in the school's AW database which had previously been sent by the lender. The school's application status changes from an "F" (credit denied by lender) to a "W" (awaiting certification).
5. The school pulls applications in a "W" (awaiting certification) status in order to complete the certification on the application. Once the certification information is complete, the school submits the application to TG for guarantee.

AW application maintenance enhancement for both PCC and BIL flow schools

When viewing and/or updating an application record in AW, a "Reversal of Previous Credit Denial" will be noted at the top of each screen/tab for that application, i.e., borrower tab, application tab, tracking tab, etc. Below you will find an example.

The screenshot shows the TG web application interface for editing a Grad PLUS application (CL4). At the top, there is a navigation bar with tabs: Main, Message Board, Import, Export, Submit, Loan, Disb, and Change Transaction. Below this, the page title is "Edit Grad PLUS Application - CL4". A prominent message reads "REVERSAL OF PREVIOUS CREDIT DENIAL". Below the message, there are buttons for Save, Incomplete, Submit, Delete, Print Note, Print Addendum, and Cancel. The user is logged in as "Werew Ew / Werew Ew (student)". A secondary navigation bar includes tabs for Borrower, Application, Income/Debt, Disb, References, Tracking, and Errors. The main content area is titled "Borrower Contact Information" and contains the following fields: SSN (324), DOB, Last Name (EW), First Name (WE), MI, Address 1, Address 2, City (REWKL), State (RI), Zip, Foreign Postal Code, Address Last Updated, Phone, Email Address, Email Address Valid, and Email Valid Date.

AW reporting enhancement for PCC schools

Schools will continue to monitor records through the Credit Activity Report, looking for records in "V" (credit approved by lender), "F" (credit denied by lender) and "W" (awaiting certification – credit approved) statuses. The Credit Activity Report will now note "Reversal of Previous Credit Denial" for those individual application records whose statuses have been updated from an "F" to a "V" or "W" (based on process). Below is an example of the report.

Texas Guaranteed Credit Activity Report For SSN: 324-								
Date: 10/17/2007			Page 1 of 1					
Borrower SSN Name	Appl Type	Rec Type	School ID	Lender ID	Guar ID	Credit Status	Borr Crdt Rqst Time	Credit Recv Time
Application Status: W - Awaiting Certification - Credit Approved								
324-	G	A	009	80	748	35		10/10/07 4:06:34 PM
EW, WEREW								
Uniq ID: 80			UB / 0	MPN (N/S): N		Student SSN: 324-	Name: EW, WEREW	
Updated: 10/10/07						Certified: 10/10/07	Submitted:	
School Use Only:						Loan Period: 05/01/07 - 04/30/08	Credit Check Authorized: Unknown	
Servicer ID:			* Reversal of Previous Credit Denial *					
Total Records: 1								

For lenders working with PCC schools

All credit responses submitted by the lender to the school — both credit approvals and credit denials — should be submitted or sent as CL5 records, whether generated from a lender's own system or through AW.

For lenders who do not yet process in CL5, AW can be used to send all credit responses to PCC schools. A lender's profile can be set to automatically receive the CL5 credit requests through AW. The lender would then update the record in AW and submit the credit response to the school.

When the lender submits a credit denial through AW to the school, the record will remain in a "T" (transmitted) status on the lender's database. If the lender subsequently approves credit for the borrower and wants to submit a credit approval to update the school, the lender is able to update the same record previously transmitted (currently in a "T" status). The lender would open the record, update the credit status code from a 20 (credit denied) to a 35 (credit approved), and submit the credit response. The credit response would once again remain in a "T" status, and the lender would view the Tracking tab on the record to see the updated credit sent date and time.

For lenders working with BIL flow schools

In this case, the lender would submit their initial credit denial to the school via a CL5 Credit Denial response. For lenders who do not yet process in CL5, AW can be used to send all credit responses to the schools. Lenders would create the credit response record in AW and submit the response to the school. A subsequent credit approval submitted by the lender to the school would be in CL4 as a Certification Request.

To learn more

If you should have questions about participating as a PCC or BIL flow school, please contact your TG account executive. If you should have any questions regarding your participation as a lender, please contact your TG lender consultant.

For technical assistance, please contact TG's product support team at (800) 332-1455, or send an e-mail message to product.support@tgslc.org.

Trends and issues

Question of the week

Q.: In order to be eligible for federal student aid, a student must have a high school diploma, pass an ED-approved ability-to-benefit test, complete home schooling at the secondary level, or have the recognized equivalent of a high school diploma. What are some examples of a recognized equivalent of a high school diploma?

A.: Page 1-6 of the 2007-08 *Federal Student Aid Handbook* lists several alternative credentials that a school may accept as equivalent to a high school diploma for federal student aid purposes:

- A GED;
- A certificate demonstrating that the student has passed a state-authorized examination that the state recognizes as the equivalent of a high school diploma;
- An academic transcript of a student who has successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree; or
- For a student who enrolls before completing high school, a high school transcript indicating the student has excelled in high school. The student must no longer be enrolled in high school, must satisfy your school's written policy for admitting such students, and must be starting a program that leads at least to an associate's degree or its equivalent.

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

As the year — and first Session of the 110th Congress — draw to a close, the congress and administration are engaged in a deadlock over the amount of funding included in the FY 2008 appropriations bills. The administration is vowing to veto the remaining 11 funding bills, because they include funding over the amount requested by the administration for health, education, and human service programs. However, a congressional majority is arguing that the overage is not significant and is fully paid for with current revenues. To learn more about the latest developments on the Hill, read the complete *Legislative Report* at www.tgslc.org/lege_report/2007/lr_071121.cfm.

This, that, and the other

Parents and students regularly report sticker shock when they purchase that first semester's set of textbooks. What is the average amount that students spend on their required course reading? While this information varies based on factors such as course load, the College Board reports that the cost of books and supplies for the 2005-06 academic year ranged from \$801 to \$904 depending upon the type of institution. Students can recoup some of these charges by selling back used textbooks.

The National Association of College Stores (NACS) provides some interesting statistics on book costs and the average profit margin for a college store. According to NACS' 2007 College Store Industry Financial Report, profit on new textbooks runs about 22.4 percent. This margin has remained relatively constant since 1989. For used textbooks, the margin can be considerably higher — about 35.8 percent.

NACS offers a handy graphic that encapsulates costs and profits for each dollar spent on textbooks. According to this chart, authors get paid on average 11.6 cents per dollar spent on textbooks. Publishers make a profit of about 7 cents after taxes, and college stores earn about 4.4 cents on the dollar, pre-tax.

You can learn more about where each textbook dollar goes at [www.nacs.org/common/research/textbook\\$.pdf](http://www.nacs.org/common/research/textbook$.pdf).



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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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