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Tip^{of} the Week

December is a busy month for students applying for college. To track deadlines and financial aid events, TG offers students a handy online calendar, which you can provide to high schools or students in any outreach program. You can find the calendar at www.aie.org/Calendar/financialaidcalendar.cfm.

Federal updates

Final rules 101: general provisions

In recent weeks, the financial aid community has been abuzz with discussions about the impact of the final rules for loan programs that ED released on November 1. While the final rules for general provisions that ED released on the same day have perhaps attracted less attention, they will also effect changes to a variety of financial aid processes. In this article, we will review changes to the general provisions, all of which will be effective July 1, 2008, unless implemented earlier at the institution's discretion.

As a reminder, the general provisions final rules are available online at <http://a257.g.akamaitech.net/7/257/2422/01jan20071800/edocket.access.gpo.gov/2007/pdf/E7-21083.pdf>. For many of our business customers, late fall is a less

hectic time of the year, so this may be a good opportunity for schools and lenders alike to read through the final rules and begin considering any necessary systems and operations changes.

Payment periods

The final rules will make several changes to payment periods, in an attempt to simplify and harmonize disbursement processes. Currently, schools use calendar time in determining when second loan disbursements are made to students in nonstandard term-based credit-hour programs with terms that are not substantially equal in length, nonterm-based credit-hour programs, and clock-hour programs. Final rules will require schools to use weeks of instructional time rather than calendar time as the basis for disbursements.

The final rules will also align disbursements for all Title IV grant and loan programs, requiring that funds be disbursed on a payment-period basis once per payment period. They will also revise requirements for students transferring to a new program at the same school — currently, a school must calculate new payment periods for a student who re-enters a program or transfers to a new program at the same school after 180 days. Final rules allow a student to remain in the same (original) payment period if certain conditions are met.

Schools can currently choose to have more than the defined two payment periods for nonterm credit hour programs and clock hour programs. Final rules remove that choice — payment periods for those programs will be the same for all Title IV grant and loan programs.

Post-withdrawal disbursements

The final rules will remove the current requirement that a school must notify and obtain the student's permission in order to make a direct post-withdrawal disbursement of any grant funds that the student earned for the period in which he or she withdrew.

Under the new rules, the grant funds for which the student is eligible must be disbursed within 45 days of the date that the school determines the student withdrew. Additionally, the deadline for a school to disburse a post-withdrawal disbursement of loan funds will be changed from 120 days to 180 days after receiving active confirmation that the student or parent wants the funds.

Treatment of FFELP funds when a student does not begin attendance

Currently, when a student does not begin attendance, a school is responsible for returning only the FFELP loan proceeds credited to the student's school account and any funds the student or parent borrower pays back to the school.

Under the final rules, a school will also be responsible for returning any FFELP funds paid back to the school on behalf of the student. Additionally, if the school knew before it delivered the funds that the student would not begin attendance, the school is responsible for returning all loan proceeds — even funds delivered directly

to the student or parent borrower. In this case, the school will also be required to notify the lender that the student did not begin attendance, at which point the lender will send a final demand letter to the student.

Electronic disbursements and stored-value cards

The final rules will remove the current requirement that a school obtain written permission for direct payment via electronic funds transfer (EFT) to a bank account. The definition of bank account will be revised to include credit unions.

Also, a school will be allowed to issue a stored-value card or other similar device if the school already has the student's permission to hold a Title IV credit balance on behalf of the student.

Issuing checks

Currently, a check is issued when a school releases or mails it, or notifies the student that the check is ready for immediate pick-up. Under final rules, a school must notify the student of the exact location for pick-up, and if the student doesn't pick the check up within 21 days, the school must mail it to the student, initiate an EFT to a bank account, or return funds to the appropriate Title IV program.

New bank account establishment provisions

The final rules will allow for a school to establish a policy requiring students to provide bank account information or open an account at a bank of the student's choosing. However, if the student declines to do so, the school still must disburse the student's Title IV funds by some other means in a timely manner.

Additionally, a school will be allowed to open a bank account on behalf of a student; however, if the school chooses to do so, or if it establishes a process that the student follows to open a bank account, or similarly assists the student in opening the account, the school must comply with certain requirements.

For more information

For previous articles on final rules changes, see *Shoptalk Online* editions [431](#) and [432](#). If you have any questions, please contact TG customer assistance at (800) 845-6267, or send an e-mail message to cust.assist@tgsic.org.

TG updates

Reminder: TG offers free teleconference on the loan issues final rules

Don't forget to participate in TG's upcoming free teleconference on the November 1 final rules for the Title IV loan programs. The teleconference will include 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 to participants from any institution.

The 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 online by visiting www.att-rsvp.com, or 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@tgslc.org.

The debt fix: TG's November *Edufacts*TM focuses on the need for good money management among students

November's *Edufacts* considers the growth in student loan debt and the responsibility it places on students to be effective money managers.

After earning diplomas, many of today's college graduates can look forward to another "rite of passage" — paying back student loans. Graduates of four-year private and public universities in 2004 owed an average of \$19,000 in student loans according to figures from the *National Postsecondary Student Aid Study 1993-2004* (NCES) — a 100 percent increase from 10 years before.

For graduate and professional students, loan debt averaged about \$40,000 — again, an increase of 100 percent from the previous decade. The debt problem is also compounded by the growing number of college graduates with loans to repay. In 1993, less than half of college graduates had loans to repay, but the number is closer to two-thirds today.

For many graduates, a form of sticker shock sets in once they pick up their degree. Fresh out of college, it is not uncommon for student loan payments to represent the largest financial obligation many graduates face.

Given the prospect of having debt and a lengthy repayment period, students need to be savvy money managers early on.

Colleges and universities are required by law to provide loan counseling to borrowers of Federal Stafford loans. Along with this, more colleges and universities are offering training that focuses on effective money management.

To learn more

To read the complete edition of the November *Edufacts*, visit www.tgslc.org/edufacts/2007/edufacts_1107.cfm.

Trends and issues

Seven things to teach your students about credit card use

For more and more students, credit cards are becoming a necessary accessory. According to a 2004 study conducted by Nellie Mae, over 75 percent of students own a card and use their credit muscle to add an average of \$2,000 to their student loan debt by the time of graduation.

Working with students each day, you understand the temptation that credit cards pose and the need to regulate their use. If you're providing information to students on how to manage their finances, you may consider offering a few "best practices" for handling credit cards.

You'll find a short list of general principles below. TG also offers students a series of trainings on financial literacy and life success — POSITIVE+BALANCE™. For students, POSITIVE+BALANCE serves to foster skills in money management and includes a particular module on credit card use. These training sessions can be integrated with existing training you provide students.

The credit card "best practices" list

Most of your students are probably novices at handling their finances. They'll likely welcome what you can offer in the way of general guidelines about particular aspects of money management, including credit card use. Help them put in place a strong foundation for their future financial health with these seven tips on credit cards.

- **Limit yourself to one credit card:** Credit cards can be all too tempting — easy to apply for and easy to use. To set a firm limit on what you spend, take out only one card. One card will make it easier to set a regular pattern of purchases and repayment — and establish a good credit history.
- **Understand all credit card terms:** Before you take out a credit card, educate yourself. What is the interest percentage rate? Are there annual fees attached? Is there a different interest rate for cash advances? Get the answers before you settle on a card.
- **Set a time limit on big purchases:** If you want a big-dollar item, put off buying it immediately. Consider the necessity and feasibility of repayment on such a purchase. Establish a time limit of several days before you buy.

- **Charge only the amount you can afford:** Everyone lives on a budget. Work in your monthly credit card expenses to your monthly budget and ensure you can swing it.
- **Pay more than the minimum:** If you are not able to pay the balance in full, pay at least twice the minimum monthly payment. Paying more eliminates the debt faster and gives you more room to spend on other items, like household expenses.
- **Verify your statements:** Check your receipts against the monthly statement you receive. That way, you can see patterns in your purchases, consider the amount you spend, and keep a close eye on what you're being charged for interest.
- **Shop around for the best interest rates:** Watch out for "low introductory" rates. These can sometimes turn into higher rates if a payment is missed or comes in late. Also, be aware of annual fees. Many companies may charge an annual fee just to have the credit card itself.

Learn more

To find out more about POSITIVE+BALANCE and this particular training module, contact your account executive at (800) 252-9743. You can also learn more from Rett Anderton or Joe Braxton, TG's default aversion consultants. Rett Anderton may be reached at (800) 252-9743, ext. 4765, or by sending an e-mail message to rett.anderton@tgslc.org. Joe Braxton may be reached at (800) 252-9743, ext. 4696, or by sending an e-mail message to joe.braxton@tgslc.org.

Correction to previous *Shoptalk Online* edition

In *Shoptalk Online*, edition [396](#), the Question of the Week included inaccurate information regarding the treatment of certain loan discharge amounts for federal income tax purposes. Although the Internal Revenue Code states in Section 108(f) that some loan forgiveness amounts should not be included in a borrower's gross income, this is not the case for the FFELP Teacher Loan Forgiveness (TLF) Program. FFELP loan amounts forgiven under TLF must, under current law, be reported as gross income. Please see Chapter 5 of IRS Publication 970 for more detailed information.

Question of the week

Q.: If a borrower is eligible for a late disbursement of loan funds, must the school offer and deliver such a disbursement to the borrower, or does the school have any discretion in this matter?

A.: There are actually two "types" of late disbursements — one made after the student has successfully completed the loan period, and one made after the student has dropped below half-time status. In addition, there is a post-withdrawal disbursement, which is made after the student has withdrawn.

The federal regulations in 34 CFR 668.164(g)(3) say the school must do the following in each of these cases:

- According to 34 CFR 668.164(g)(3)(ii), if a student successfully completed the loan period, the school “must provide [the borrower] the opportunity to receive” the late disbursement. While the regulations do not give a timeframe for the borrower to respond to this offer, the school should keep in mind that if it delivers a late disbursement, it must do so within 120 days after the end of the loan period. Note that the final regulations published November 1, 2007, increased this timeframe to 180 days after the end of the loan period, effective July 1, 2008, unless implemented earlier by the school.
- According to 34 CFR 668.164(g)(3)(iii), if a student did not withdraw but ceased to be enrolled as at least a half-time student, the school may, but is not required to, offer the late disbursement to pay for educational costs that the school determines the student incurred for the period in which the student was eligible. While the regulations do not give a timeframe for the borrower to respond to this offer, the school should keep in mind that if it delivers a late disbursement, it must do so within 120 days after the date the student ceased to be enrolled at least half time. Note that the final regulations published November 1, 2007, increased this timeframe to 180 days after the date the student ceased to be enrolled at least half time, effective July 1, 2008, unless implemented earlier by the school.
- According to 34 CFR 668.164(g)(3)(i), if a student withdraws and, per the school’s completion of the return of Title IV funds calculation, the student is eligible for a post-withdrawal disbursement of loan funds, the school must offer the borrower the loan funds [in accordance with 34 CFR 668.22(a)(5)(ii)(B)(2) and (3)], and, if the borrower accepts the funds within the permitted timeframe provided in 34 CFR 668.22(a)(5)(ii)(A)(5), must deliver the funds within 120 days of the date the school determined that the student withdrew. Note that the final regulations published November 1, 2007, increased this timeframe to 180 days after the date the school determined that the student withdrew, effective July 1, 2008, unless implemented earlier by the school.

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 November 15, 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/policy/integrated_online_manual.cfm.

Providing Consolidation Loan Information to Borrowers

The *Common Manual* has been revised in Subsection 15.3.A to acknowledge current technologies in the delivery of information to prospective Consolidation loan borrowers. The *Common Manual* has also been revised to suggest that consolidating lenders provide Consolidation loan applicants with a complete explanation of any applicable loss of loan benefits if a borrower is consolidating loans from other loan programs into a Consolidation loan and an explanation of any special benefits that the lender may offer on Federal Consolidation loans and the criteria for obtaining those benefits.

Affected Sections:	15.3.A Providing Consolidation Loan Information
Effective Date:	July 1, 2008, unless implemented earlier by the lender.
Basis:	None.
Policy Information:	979/Batch 144
Guarantor Comments:	None.

Borrowing from FFELP and FDLP

The *Common Manual* has been updated to clarify that a school that participates in both the FFELP and the Federal Direct Loan Program (FDLP) may certify loans of different types (Stafford, PLUS) under separate programs for the same period of enrollment for the same student. For example, the school may certify a Stafford loan under the FFELP and a PLUS loan under the FDLP for the same period of enrollment. A school is prohibited from certifying a loan of the same type under each program for the same student for the same period of enrollment.

Affected Sections:	4.1.A Establishing Eligibility
Effective Date:	Stafford and PLUS loans certified on or after December 1, 2006, unless implemented earlier by the school.
Basis:	HEA 454(a)(4); Federal Register dated November 1, 2006, pp. 64392 and 64400; 07-08 FSA Handbook, Volume 3, Chapter 5, p. 3-78.
Policy Information:	980/Batch 144

Guarantor Comments: None.

Federal Data Matches

The *Common Manual* has been updated to include information on the National Student Loan Data System (NSLDS), the Department of Justice (DOJ), and the Department of Veterans Affairs (VA) federal data matches required in determining student and borrower eligibility. NSLDS information has been removed from Appendix F, FFELP Community Initiatives, as NSLDS is no longer an initiative, but a fully operating system that is owned and maintained by the Department. Current references in 5.2.A to the Immigration and Naturalization Service (INS) have been replaced with references to the Department of Homeland Security, United States Citizenship and Immigration Service (USCIS), which now performs the citizenship data match.

Affected Sections: 5.2 Federal Data Matches
5.2.A Citizenship Data Match
5.2.D Prior Overpayment
5.2.E Prior Default
Appendix F FFELP Community Initiatives

Effective Date: Implementation of any federal data match is determined by the Department.

Basis: None.

Policy Information: 981/Batch 144

Guarantor Comments: None.

Required Authorizations for Delivering Parent PLUS Loan Funds to the Student

The *Common Manual* has been revised to clarify that a school must obtain a parent PLUS borrower's written authorization to deliver parent PLUS loan funds directly to the student, in addition to any other authorization it must obtain from the student (e.g., an authorization to deliver funds to the student's bank account or to the student's stored-value card).

Affected Sections: 8.3 Required Authorizations

Effective Date: Publication date of the 97-98 FSA Handbook.

Basis: 97-98 FSA Handbook, Chapter 10, pp. 34 and 41.

Policy Information: 982/Batch 144

Guarantor Comments: None.

Release of Endorser

The *Common Manual* has been revised to align the *Manual's* policy text with Appendix H, by including additional instances in which an endorser may be released from his or her obligation to repay a loan or some portion of a loan. A lender may release an endorser from his or her repayment obligation on a loan if the borrower's obligation to repay the loan is discharged through total and permanent disability, false certification loan discharge, closed school loan discharge, or unpaid refund loan discharge. If only a portion of the borrower's loan is discharged, the endorser remains obligated on any remaining portion of the loan. In addition, an endorser may be released because of the endorser's bankruptcy proceedings or total and permanent disability.

Affected Sections: 12.4.E Endorser Due Diligence

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

Basis: §682.402(c)-(f); the Endorser Addendum to Federal PLUS Loan Application and Master Promissory Note; Conditional disability discharge guidance developed in coordination with NCHELP and the Department's Conditional Disability Discharge Unit.

Policy Information: 983/Batch 144

Guarantor Comments: None

This, that, and the other

Online retail is experiencing something of a boom these days, thanks in part to the relative ease in procuring and using a credit card. More students are succumbing to the temptations of online retail — some two-thirds of them own a credit card and use it, adding more debt to the high balances many graduate with, according to the Project on Student Debt.

What do students spend their "credit dollars" on? A recent *New York Times* article surveyed some of the items flowing into university mailrooms across the country and found that students were ordering an astonishing variety of goods. Here's a sampler of products sent to students at the University of Southern California: an ant farm, an air-conditioner, and a BBQ-grill; and to the State University of New York — a dish washer, pool table, refrigerator, and car muffler.

The flood of items is causing some universities to beef up their mailrooms, which costs money. Colleges are investing in bar code scanning and package tracking systems, expanding facilities, even adding security staff.

Read the complete article at

www.nytimes.com/2007/11/21/education/21mailroom.html?adxnnl=1&adxnnlx=1196716661-cBkJ3sIXz3umimwd1zMRKw.



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