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Tip^{of} the Week

Mid-semester of their final semester, many of your seniors are probably thinking more about resume-building and job interviews. Offer them some help with *Adventures In Education (AIE™)* resource page for job hunters, located at www.aie.org/College/Jobs/Links/index.cfm

Federal updates

E-mail from ED solicits input on student loan issues

ED announced in the March 4, 2008, *Federal Register* that it would soon be sending e-mail messages to approximately 4,500 financial aid administrators at schools participating in the FFELP. This e-mail will:

- Advise schools that ED is monitoring the current credit environment and the potential impact on the student loan programs
- Invite the aid administrator to relay to ED any information of which the administrator is aware, regarding lenders that are planning to modify their participation in federal or non-federal student loan programs

ED will use the responses to prepare a report for the Secretary of Education, which will in turn be used in decisions ED makes related to “ensuring the continued availability of educational loans for students and their families.”

This e-mail is a follow-up to a letter the Secretary mailed on February 27 to the presidents of schools participating in the FFELP, which may be viewed online at www.ed.gov/policy/highered/guid/secletter/080227.html.

For more information

The *Federal Register* announcement is available online at <http://a257.g.akamaitech.net/7/257/2422/01jan20081800/edocket.access.gpo.gov/2008/pdf/E8-4113.pdf>.

Encouraging innovation in verification: ED’s Quality Assurance Program

After spending too many hours staring at tax returns and verification worksheets, have you ever wished you could make up your own rules for verification? Well, ED is offering you the chance to do that — within limits, of course. Last week, ED published a notice in the *Federal Register* announcing it will begin accepting applications for participation in the Quality Assurance Program (QAP).

QAP — which began as a pilot program in 1985 and now includes more than 150 school participants — allows a school to develop institutional verification processes. These processes may be more specifically tailored to the characteristics and needs of the school’s own student population, in lieu of the traditional federal verification processes. QAP schools measure their performance and test the effectiveness of their verification program by using ED’s ISIR Analysis Tool.

The goal of the QAP is to reduce improper payments in the Pell Grant Program. To that end, ED’s preliminary analysis of 2005-06 data demonstrates that the verification criteria established by QAP schools prevented a total of over \$50 million in improper Pell grant payments. Another benefit of the program is the partnership between ED and the participating schools: As both parties become engaged in promoting continuous improvement in the administration and delivery of federal financial aid, service to students and families is improved.

How to apply

Schools that administer one or more Title IV programs may submit a letter of application to ED to participate in the QAP; schools that currently participate in the program may continue to do so without submitting a new letter of application. ED will review the letter of application to determine if the school meets general Title IV eligibility requirements and has a demonstrated record of program compliance. Other factors ED may consider include the school's performance with regard to financial responsibility, its administrative capability, program review findings, and audit findings.

For more information

The *Federal Register* notice, including detailed application instructions, is available online at <http://ifap.ed.gov/fregisters/FR022620081.html>. For general information about the QAP, including a list of currently participating schools, data analysis reports, and ED contact information, please visit ED's QAP Web site at <http://www.ifap.ed.gov/qahome/Default.html>.

Stafford MPN extended

The current Stafford Loan Master Promissory Note (Stafford MPN) was scheduled to expire on February 29, 2008. However, ED has received a notice from the Office of Management (OMB) approving an extension of the current form, to May 31, 2008.

FFELP participants may continue to use the current form until such time as the revised Stafford MPN is approved. *Shoptalk Online* will announce the revised form when it is available.

TG updates

TG offers training to assist financial aid professionals with entrance and exit counseling

Many institutions have relied on their lender and servicer partners to conduct mandatory entrance and exit student loan counseling for students. However, according to new federal regulations effective July 1, lenders, servicers, and guarantors will no longer be allowed to provide such counseling on behalf of the school.

TG understands that financial aid directors generally have limited staff resources and thus are unable to monitor every counseling session. However, schools do bear the responsibility of making sure that every borrower completes the required entrance and exit counseling sessions.

TG offers help in the form of a new training session for Positive+Balance™, TG's workshop series on financial literacy for students and default management for financial aid offices. It's important that your financial aid staff are properly trained in meeting all regulatory requirements. TG's training session is crafted to help your staff meet those requirements.

A tool to help

TG's *Effective Loan Counseling* session provides information to aid institutions as they develop and deliver effective entrance and exit counseling to students. The session establishes a curriculum and knowledge base that financial aid professionals can use to conduct entrance and exit counseling sessions.

Among other things, the session helps financial aid professionals:

- Understand the basic requirements of loan counseling,
- Implement specific strategies to counsel students effectively, and
- Identify resources to enhance understanding of loan counseling requirements.

The training session builds on the premise that the primary purpose of entrance and exit counseling sessions is to inform students about their rights and responsibilities as a borrower.

To learn more

To find out more about Positive+Balance, 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@tgscl.org. Joe Braxton may be reached at (800) 252-9743, ext. 4696, or by sending an e-mail message to joe.braxton@tgscl.org.

With customer help, Mike Nowlin works to make TG's EFT even more effective



TG began disbursing loan funds through its Electronic Fund Transfer (EFT) process in 1991, and, since then, has made over \$19 billion in disbursements electronically. Funds can be transferred overnight, which students appreciate. Schools and lenders like the automated electronic reporting feature, which offers a daily audit of all transactions. And the process can handle private, TG-guaranteed, and non-TG-guaranteed FFELP loans together, which provides convenience to all institutions involved. It's also currently one of the least expensive options on the market.

Managing such an important process for TG customers involves many of TG's team members. However, it's the job of one in particular to gather feedback on EFT and help turn that customer request into a system reality. Mike Nowlin, product manager for EFT describes his work this way.

"One of my main functions is to initiate projects to enhance TG's current funding tools, and to create new services based on feedback from schools and lenders," said Mike. "I also serve as a central point of information for customers about TG's funding service."

A balancing act

According to Mike, TG's first priority for EFT funds is to make sure that the money always gets where it is supposed to go; however, a close second is helping schools and lenders track those transactions through effective reporting.

“To do it right requires tools that are complex but that also must be very reliable,” said Mike. “It is a lot of responsibility, because it is an important service that we provide to our lender, servicer, and school customers. Balancing that complexity and responsibility can be challenging.”

Mike gathers feedback about TG’s EFT in a variety of ways. He talks regularly with TG’s lender consultants and listens to what customers need through interviews, focus groups, surveys, and interaction over the phone and by e-mail.

“Once we get to the point of initiating a project to enhance or create a tool, part of my job is to ensure that we are delivering features that will be the most beneficial to the largest number of customers, including lenders, servicers, and schools,” said Mike.

Mike works closely with TG’s customer-facing teams to define and prioritize the features that will be included. In addition, he frequently speaks with lenders and other customers to make sure they have all of the information they need to answer questions and solve issues related to TG’s funding products.

Cutting cost with efficiency

Mike brings a varied background in Web development and consulting to his responsibilities. He worked for several years for The University of Texas System in the distance education department, building tools to help students take online courses. That experience gave him a good understanding of the education industry in general, as well as some of the specific issues facing schools and students in Texas. He also gained a solid foundation for understanding the technical intricacies of TG’s EFT tools from his work as a Web project consultant with Cobb Information Systems.

TG offered a natural progression for Mike’s skill set and personal interest. “TG gave me a great opportunity for using my background in technology and my business education to help students continue their education,” he said.

Helping students gain affordable access to education is a great benefit of his job, says Mike. “I also like visiting our lenders and schools to see how people on the front lines do their jobs. It helps me find ways to help customers do their jobs better, faster, and cheaper.”

For more information

To learn more about TG’s EFT process, or for questions related to EFT, 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.: I have heard that the rules have changed for using current year Title IV funds to pay minor prior year charges. Could you please explain the changes and when they will go into effect?

A.: These changes will go into effect on July 1, 2008; however, as with all of the general provisions changes published in the November 1, 2007, *Federal Register*, schools may choose to implement the new rules early (on or after November 1, 2007) or wait until July 1, 2008. If a school chooses to implement the changes early, it must apply them uniformly to all students and not on a case-by-case basis.

The new regulations have changed the requirements for payment of minor prior year expenses in two ways:

1. The amount that may be paid is increased from less than \$100 to no more than \$200; and,
2. The exception allowing a school to use current year Title IV funds to pay previous year charges of more than the allowable amount — as long as doing so would not prevent the student from paying his or her current educational costs — is removed. Under the new rules, payments of minor prior year expenses may not exceed, under any circumstances, the \$200 limit.

The regulations pertaining to using current year Title IV funds to pay prior award year charges are located in 34 CFR 668.164(d)(2).

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 February 21, 2008, 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.

Variable Rate Conversion Provisions

The *Common Manual* has been revised in Section H.2 to state that lenders were not permitted, based on October 1994 guidance from the Department in DCL 94-L-171, to adjust special allowance billings on loans — subject to the variable-rate conversion provisions of the Higher Education Amendments of 1986 and of 1992 — for which the applicable interest rate was retroactively revised. However, lenders were permitted, as a result of guidance from the Department on March 1, 1998, in DCL 98-L-202, to recalculate special allowance billings on the subject loans for all or part of the period from July 23, 1992, to December 31, 1994.

In addition, Figure H-1 was revised by reversing the second and third columns, expanding the column title, and adding a new footnote to explain that the quarterly variable interest rates were determined by adding 3.25 percent for the “1986 loans” or 3.10 percent for the “1992 loans” to the average of the bond equivalent rate of the 91-day Treasury bill rate as auctioned for the preceding 3-month period.

For loans subject to conversion under the Higher Education Amendments of 1992 in Figure H-1, the annual variable interest rate for the period from July 1, 2006, through June 30, 2007, was corrected from 7.949 percent to 7.94 percent and a reference to footnote #2 was inserted because the interest rate is higher than 7.00 percent. For all loans subject to conversion under the Higher Education Amendments of 1986 and 1992, the annual variable interest rates for the period from July 1, 2007, through June 30, 2008, were added.

Affected Sections: H.2 History of Excess Interest Rebates and Variable Interest Rate Conversions

Figure H-1

Effective Date: The guidance for lenders to recalculate special allowance billings on loans, subject to the variable rate conversion provisions, for all or part of the period from July 23, 1992, to December 31, 1994, was effective on March 1, 1998. All revisions, except interest rate changes to the chart, are retroactive to the implementation of the *Common Manual*.

Basis: DCLs 94-L-171; 98-L-202; 98-L-207.

Policy Information: 998/Batch 147

Guarantor Comments: None.

Exceptional Performer Eliminated

The *Common Manual* has been revised to comply with the statutory changes derived from the College Cost Reduction and Access Act (P.L. 110-84). The Exceptional Performer program was eliminated on October 1, 2007; therefore, eligible default claims filed by a lender on or after that date will be paid at the insurance rate applicable to each loan.

Affected Sections:	3.9	Exceptional Performer Designation
	3.9.A	Applying for the Designation
	3.9.B	Department Determination of Request for Designation
	13.1.A	Claim Filing Requirements
	13.2	Claim Returns
	13.2.A	Refiling the Return Claim
	13.3.A	Claim Payment Amount
	13.3.B	Amount of Interest Purchased on Eligible Claims
	13.3.C	Amount of Interest Purchased on Returned Claims
	13.5	Claim Repurchase
	14.3.B	Non-Default Claims
	14.4.A	Original Filing Deadline
	14.4.B	Refile Deadline
		Appendix G Glossary

Effective Date: Claims originally filed by a lender on or after October 1, 2007.

Basis: HEA §428(c)(1), §428I, and §438(b)(5), as amended by the College Cost Reduction and Access Act (P.L. 110-84).

Policy Information: 1005/Batch 147

Guarantor Comments: None.

Frequency of Capitalization for Consolidation Loans

The *Common Manual* has been revised to specify that a lender may capitalize unsubsidized interest that accrues during periods of in-school deferment on a Consolidation loan only at the end of the deferment.

Affected Sections: 10.10.B Capitalization Frequency

Effective Date: Unsubsidized interest capitalized on Consolidation loans for periods of in-school deferment on or after July 1, 2008, unless implemented earlier by the lender on or after November 1, 2007.

Basis: §682.202(b)(5); preamble to the *Federal Register* Vol. 72, No. 211 dated November 1, 2007, p. 61984.

Policy Information: 1006/Batch 147

Guarantor Comments: None.

Lender Reporting Requirements

The *Common Manual* has been revised to add the requirement that the lender must report enrollment and loan status information or any FFELP loan-related data that the Department requires. The information must be reported to the guarantor or to the Department, as applicable, by the deadline established by the Department.

Affected Sections: 3.5.D Reporting Loan Status Changes

Effective Date: Enrollment or loan status changes submitted to the guarantor or to the Department on or after July 1, 2008 unless implemented earlier by the lender and the guarantor on or after November 1, 2007. This trigger event aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the *Common Manual* will immediately notify schools and lenders of the change.

Basis: §682.208(l); *Federal Register* Vol. 72, No. 211 dated November 1, 2007, p. 61966.

Policy Information: 1007/Batch 147

Guarantor Comments: None.

Armed Forces and Military Deferments

The *Common Manual* has been revised to allow a borrower's representative to request an armed forces or a military deferment on behalf of the borrower. If a lender grants an armed forces or a military deferment based on a request from the borrower's representative, the lender must notify the borrower that the deferment has been granted and that the borrower has the option to cancel the deferment and continue to make payments on the loan. The lender may also notify the borrower's representative of the outcome of the deferment request.

Affected Sections: 11.3.A Eligibility Criteria—Armed Forces

11.8.B Deferment Documentation—Military

Effective Date: Armed forces and military deferment requests granted on or after July 1, 2008, can be implemented early by the lender on or after November 1, 2007. This trigger event aligns with the suggested trigger event recommendation document submitted to the Department. If the Department publishes guidance with a different trigger event, the *Common Manual* will immediately notify schools and lenders of the change.

Basis: §682.210(i)(5); §682.210(t)(7); *Federal Register*, Vol. 72, No. 211 dated November 1, 2007, p. 61962.

Policy Information: 1008/Batch 147

Guarantor Comments: None.

Borrower Choice of Lender

The *Common Manual* has been updated to place emphasis on the borrower's right to choose a FFELP lender. This update incorporates the new regulatory requirements for a school that provides a list of recommended FFELP lenders to its student and their parents and explains how schools that choose not to recommend lenders, may provide information to assist the borrowers with their choice of lender.

Affected Sections: 4.4 Providing Information to Students
6.15 School Certification of the Loan

Effective Date: Recommended lender lists provided to students and parents on or after July 1, 2008.

Certifications based on the borrower's choice of lender and/or guarantor, effective retroactive to the implementation of the *Common Manual*.

Ensuring that there is no delay in certification and/or processing of the loan based on the borrower's choice of lender or guarantor, effective for loans certified by the school on or after July 1, 2008.

Basis: Preamble language to the *Federal Register*, dated November 1, 2007, pp. 61986-61990; §682.212 (h); §682.603(f); DCL GEN-07-01.

Policy Information: 1009/Batch 147

Guarantor Comments: None.

Transfer of Claim Other Than For Security

Pursuant to new bankruptcy code, the *Common Manual* has been updated to remove any reference to the assignment of a proof of claim. The *Manual* now makes reference to the Transfer of Claim Other Than For Security form that a guarantor must file and the Notice of Transfer of Claim Other Than For Security form that a lender/servicer will receive once the bankruptcy court processes the transfer.

Affected Sections: 13.1.D Claim File Documentation
13.8.A Bankruptcy

Effective Date: Original assignment of a proof of claim filed by the lender on or after July 1, 2008, unless implemented earlier by the guarantor.

Basis: Bankruptcy Code 11 U.S.C. §502(a); Bankruptcy Code 11 U.S.C. §1111(a); Bankruptcy Rule 3001 (e)(f).

Policy Information: 1010/Batch 147

Guarantor Comments: None.

Disclosing Stafford Loan Eligibility Information to Grad PLUS Applicants

The *Common Manual* has been revised to include the requirement that, if the school determines that a Grad PLUS applicant has not applied for the maximum Stafford loan for which he or she is eligible, the school must notify the student of the maximum Stafford loan funds for which he or she is eligible. The school's notice must provide the student with the following on each loan type (Stafford and PLUS):

- The maximum interest rate.
- The periods during which interest that accrues must be paid by the borrower.
- The point at which the loan enters repayment.

The school must then provide the student with an opportunity to request the maximum Stafford loan funds for which he or she is eligible.

Affected Sections: 6.15.C PLUS Loan Certification

Effective Date: Grad PLUS loans certified by the school on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

Basis: §682.603(d).

Policy Information: 1011/Batch 147

Guarantor Comments: None.

Establishing a Repayment Schedule

The Common Manual has been corrected to state in Subsection 10.8.A that a lender must require a borrower to repay his or her loans under a standard repayment schedule if the borrower fails to select an income-sensitive, graduated, or extended (if applicable) repayment schedule within 45 days after being notified by the lender to choose a repayment schedule. This change aligns the text in this subsection with current policy in Section 10.8 of the *Manual*.

Affected Sections: 10.8.A Standard Repayment Schedule

Effective Date: Repayment schedules requested or established on or after October 7, 1998.

Basis: None.

Policy Information: 1012/Batch 147

Guarantor Comments: None.

Consumer Information

The *Common Manual* has been updated to clarify that consumer information regarding refunds must be provided by the school upon request to enrolled and prospective students. Revised policy also places the requirements into a bulleted format for clarity.

Affected Sections:	9.5 Return of Title IV Funds
Effective Date:	Retroactive to the implementation of the <i>Common Manual</i> .
Basis:	§668.43(a)(2) through (4).
Policy Information:	1013/Batch 147
Guarantor Comments:	None.

This, that, and the other

Upward mobility for the poor or middle class has remained static over the last three decades, says a recent study. In fact, the hope of joining a wealthier class is dimming for a larger segment of poor earners.

The study conducted by the Brookings Institution in Washington warns that gaps in higher education between rich and poor, whites and minorities, are widening and could soon lead to fewer opportunities for very poor families.

The researchers found that Hispanic and black Americans were falling behind whites and Asians in earning college degrees, making it harder for them to enter the middle class or move upward.

The study however does show that college can have a powerful effect in helping people grow in earning potential. An individual from the lowest fifth of earners who graduates with a degree has a 19 percent chance of joining the highest fifth of earners in adulthood, according to the study. They have a 62 percent chance — or more — of joining the middle class.

Read the complete *New York Times* article on the topic at www.nytimes.com/2008/02/20/us/20mobility.html?_r=2&ref=education&oref=slogin&oref=slogin.



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