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Tip^{of} the Week

To help our Spanish-speaking students and families, many of TG's brochures and other publications are available in Spanish. For more information, visit www.tgslc.org/spanish/index.cfm.

Federal updates

Congress considers new student loan legislation

Last week, members of the Senate and House announced separate pieces of legislation in response to recent credit market and student loan access concerns. Although the two bills differ slightly, both would make significant changes to the

Higher Education Act (HEA), with the intent of ensuring that access to student loan funding will not be negatively affected by the possibility of national economic difficulties. These pieces of legislation are separate from and in addition to the HEA reauthorization legislation currently pending in Congress.

While the official language of both bills is not yet available, both bills focus on:

- increasing Stafford loan limits;
- providing in-school deferment for Parent PLUS borrowers;
- strengthening and clarifying the lender-of-last-resort provisions;
- providing ED with temporary authority to act as a FFELP secondary market; and
- in the Senate version, increasing the maximum annual Pell grant amount for certain students.

The Senate bill (S 2815) was introduced by Senator Edward Kennedy and is titled the "Strengthening Student Aid for All Act." The legislation is posted on THOMAS, the U.S. Library of Congress Web site. To access it, go to <http://thomas.loc.gov/>, and in the space for "Search Bill Text," enter "S2815," click on "Bill Number," and click "Search."

A summary of the House version, crafted by Rep. George Miller (D-Calif.) and Rep. Rubén Hinojosa (D-Texas), is available on the House Education and Labor Committee's Web site at www.house.gov/apps/list/speech/edlabor_dem/rel040308.html.

More information

These bills are still early in the legislative process and the provisions will likely be modified. *Shoptalk Online* will keep readers informed as this legislation moves through the committee and conference stages.

PLUS MPN extended

The current PLUS Loan Master Promissory Note (PLUS MPN) was scheduled to expire on March 31, 2008. However, ED has provided approval for FFELP participants to continue using the current form until such time as the revised PLUS MPN is approved. *Shoptalk Online* will announce the revised form when it is available.

Current special allowance rates: Quarter ending March 31, 2008

The following rates apply for the quarter ending March 31, 2008:

The average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter ending March 31, 2008, is 2.10 percent.

The average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter ending March 31, 2008 is 3.24 percent.

The FFELP special allowance rates for the most recent quarter are available on *TG Online* at www.tgslc.org/policy/index.cfm.

To learn more

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

TG updates

TG lays groundwork to operate lender-of-last-resort program

The lender-of-last-resort (LLR) program is designed to ensure that eligible student loan borrowers who are unable to locate a lender have access to Federal Family Education Loan Program (FFELP) funds. TG first implemented its LLR program in 1994, and is currently updating its procedures to reflect current electronic processes in the FFELP, and to make adjustments to address the challenges of the current environment.

On March 26, 2008, the Department of Education (ED) provided new LLR planning guidance to all FFELP guarantors (DCL FP-08-03/GEN-08-03) and requested updated plans to be submitted to ED by April 25. ED issued this guidance to guarantors to help assure continuity among the various LLR plans. TG is in the midst of complying with ED's request by building on the foundation of its previous LLR program, and making changes to update processes for today's environment in a manner that corresponds with the recent guidance from ED (see *Shoptalk Online* edition [448](#)).

The LLR program provides several options for making loan funds available:

- Guarantors locate or designate participating lenders to provide LLR loan funds.
- ED provides federal government advances to guarantors to use as LLR loan funds.
- Guarantors provide their own funding to use as LLR loan funds.

It is not yet clear which of these options, if any, will be exercised by TG to ensure access for students; so TG is making preparations for all three options at this time. Sue McMillin, TG President and CEO, has confidence in TG's ability to prepare for additional LLR lending in the near future, with ED's assistance at the federal level to address current environmental challenges, should the need arise.

“We’re already familiar with how the participating lender approach works, because we’ve had direct experience with that. And we’re laying the groundwork to operate LLR under the other two funding options, as needed,” said Sue.

TG and other guarantors are participating in industry conversations, as well as discussions with ED, to identify and implement the necessary steps to move forward under each of these scenarios. Guarantor discussions with ED also are underway to consider certification of LLR eligibility at a school level, rather than a borrower level, if circumstances warrant.

For more help

Shoptalk Online will keep readers informed as developments occur. Schools seeking additional information about TG's LLR program can contact Cynthia Mayberry, TG's manager of the Texas Region, at (800) 252-9743, ext. 4683. Lenders can contact Kevin Harris, director of lender relationships, at (800) 252-9743, ext. 2805.

2008 TG Annual Training Conference offers workshops on leadership in periods of change



About two weeks from today, hundreds of financial aid professionals from across Texas and the U.S. will be streaming to Austin, Texas, to attend one of the largest industry training events offered in the Southwest — the TG Annual Training Conference. This year’s

conference, titled “Training today, preparing for tomorrow,” will be held April 23-25 in the Renaissance Austin Hotel at the Arboretum.

For each conference, TG plans workshops that instruct financial aid professionals on the latest changes to regulations and offer a strong grounding in the essentials of managing student loans. The 2008 TG Annual Training Conference promises to do the same, offering more than 65 sessions on a wide range of subjects, from financial literacy and default prevention to technology for streamlining practices of the financial aid office.

Change theme

President and CEO Sue McMillin will kick-off the three-day conference at noon on Wednesday, April 23, by introducing guest speaker, Robert Shireman, founder and president of the Institute for College Access and Success. One of the nation’s leading experts on college access and financial aid, Shireman is best known for creating the Project on Student Debt and the Economic Diversity of Colleges database. He has served as an education policy advisor to the White House, the Senate, and various foundations.

Dr. Janet Lapp, founder of The Center for Leadership Development and a successful leadership consultant, will follow with a discussion of leadership — or, as she describes it, “what it means to inspire others with who you are, not just what you

do.” Dr. Lapp has had a varied career as a nurse, psychologist, university professor, and consultant, and now coaches leaders to help them excel in the midst of rapid change. Her presentations center on value-focused leadership, accountability, and high productivity — timely themes given the changes which have recently affected the student loan industry.

Lapp will also present a leadership workshop on how to better influence those around you through an effective presentation, titled “Why Won’t They Listen to Me?” Participants will learn how to recognize resistance in others; understand how to handle conflict in a more powerful way; and be able to present themselves more effectively.

Steve Morgan, a motivational speaker and consultant, will provide the keynote address for Thursday night’s dinner. Steve helps to motivate organizations and to enhance communications and team building. His presentations are entertaining and involve audience participation. Earlier on Thursday, Steve will also be the presenter at a “Dealing with Change” workshop — another session that promises insight on managing a financial aid office in times of change.

To register and to learn more

Visit *TG Online* at www.tgslc.org/tgconference/index.cfm to register or to find out more about the 2008 TG Annual Training Conference. Online registration is available through April 11; however, attendees can register at the hotel during the event. Registration fees are waived for school attendees. Note that this year’s conference will begin with the noon lunch-time session on Wednesday, April 23.

If you prefer to speak with someone directly, contact Judith Cunningham at (800) 252-9743, ext. 2905, or send an e-mail message to judith.cunningham@tgslc.org.

TG adds new features to its Web tool on consolidation — Consolidation StationSM

If they haven’t already, your December graduates are probably looking more seriously at student loan consolidation — especially borrowers who took out a Stafford or PLUS loan that was disbursed before July 1, 2006. These loans carry a variable interest rate that is adjusted annually on July 1 of each year; interest rates may go down this coming July, in which case, it may well be advantageous for borrowers with multiple loans borrowed and disbursed before July 1, 2006 to consider consolidation.

To better weigh their options, borrowers often like to consider what their consolidation payment might be. Of course, estimating a monthly payment is just one element in deciding whether to consolidate — but it can be a pivotal one for many borrowers setting budgets and projecting their buying capacity for the coming years.

For these borrowers, TG offers help in the form of a new calculator tool for its consolidation Web site — Consolidation Station.

Making it simpler to understand

Consolidation Station offers answers to many of the common consolidation questions, provides an overview of the consolidation process, and includes a search tool for choosing a lender. The new Consolidation Calculator estimates repayment schedules for FFELP and Direct Lending loans, including Stafford, PLUS, and Grad PLUS loans, as well as Perkins and previous Consolidation loans.

The calculator provides a simple interface for entering basic loan information. Borrowers select a loan type (Stafford subsidized, Stafford unsubsidized, PLUS, Perkins, or Consolidation), enter a loan balance amount and interest rate as well as the loan term, and click "Calculate." The calculator is pre-populated with the existing fixed rates for common FFELP loans.

The response page offers an easy-to-review payment estimate according to three payment plans: standard (10 year term), extended (25 year term), and graduated (generally, interest-only payments for a pre-determined period). Estimates are provided strictly as a means of gauging possible loan payments, and for calculating the potential increase in interest paid when extending the loan term or graduating payments. Borrowers will need to consult directly with their consolidating lender to learn the actual details of their loan consolidation amount.

Lender search enhancements

TG has also improved its lender search tool. By request, lenders can now add their Web address and phone number to the information that appears with a given search.

Using the lender search, borrowers can locate lenders several different ways: They can view and choose from a list of lenders that consolidate with TG; search for a lender by entering a name or a keyword from the name; or locate the lenders for their TG-guaranteed loan, or for all their loans. The added lender contact information will make it easier for borrowers to find and begin the consolidation process with a chosen lender.

To learn more

If you're looking for a single resource for helping your graduating seniors — and graduated students — understand consolidation, consider Consolidation Station. To find out more about TG's Consolidation Station, visit www.ConsolidationStation.org. For questions about the site, contact TG's product support team at (800) 332-1455, or send an e-mail message to product.support@tgslc.org.

Reminder to TG's lenders: Upcoming interest rate changes

Effective April 7, 2008, TG will have programming in place to accommodate the new interest rates for undergraduate subsidized Stafford loans with first disbursement dates scheduled on or after July 1, 2008.

It is important that lenders with undergraduate subsidized Stafford loans that were guaranteed by TG prior to April 7, 2008, with disbursement dates scheduled on or after July 1, 2008, be aware that TG is updating the interest rate to the appropriate percentage.

CommonLine modification (@1M) records will be sent to all associated parties. If they have not already done so, lenders should update the interest rates on their systems accordingly. For AdvanTG Web™ users, the updated information will be located on the Guaranteed Loan Information Report.

For more information

For more information on the interest rate reductions, see *Shoptalk Online* edition [427](#).

Nancy Wilson, assistant vice president of TG's program review team, helps schools and lenders abide by FFELP regulations



Guarantors are an integral part of FFELP oversight and administration, and TG's program review team plays a key role in TG's fulfillment of these responsibilities. The team audits schools, lenders and their servicers, and TG's external, defaulted loan collection vendors to ensure that their operations comply with federal rules and TG guidance. In this way, TG's customers are apprised of any identified compliance concerns or control weaknesses that they need to address. TG also provides customers with recommendations for administrative improvements, as appropriate.

Once TG's program review team completes its work, a report is provided describing any findings and associated corrective actions. School and lender reports are also provided to ED, on whose behalf TG performs these oversight activities. This provides greater assurance to ED that the federal investment in providing FFELP loans to students is being carried out in accordance with federal policy objectives and rules.

To learn more about this team's work, *Shoptalk Online* talked with team lead and assistant vice president of program review, Nancy Wilson.

Q.: Describe your work.

A.: Following federal guidance on selecting reviews to perform, I identify schools and lenders that we are required to review, as well as other candidates for reviews based on risk-related criteria. Based on this information, I develop the review schedule and assign resources. I also participate in some of our reviews.

In addition, I work closely with industry groups to standardize and improve the program review process, for example through NCHELP's Common Review Initiative in which guarantors perform joint reviews of some lenders and their servicers.

Q.: Can you talk about your background?

A.: I started working at TG in August 1998, as the assistant manager of loan guarantee operations, before I became the program review manager in March 2003. Prior to working at TG, I worked at a FFELP lender for nine years where I served in various roles related to loan originations, quality control and internal audit, and guarantor relations. And before my years of service in the FFELP, I worked in commercial banking for ten years. So, most of my career has been focused on lending activities.

Q.: What drew you to work in program review?

A.: I had the opportunity to work with the people at TG before I became a TG employee. I was drawn to TG by the talented people and TG's mission, which I believed in and was pleased to support. I joined program review because it was an opportunity to help FFELP participants improve their success in administering the program, thus benefiting them, their students, and the integrity of the program.

Q.: What program areas bear careful review by a school?

A.: Every school is different, but there are some recurring themes that merit close attention. I would advise schools to carefully monitor their activities relating to cash management, refunds, return of Title IV aid, enrollment status tracking, and borrower eligibility. Schools should also make sure their written administrative procedures are up to date, and that they remain abreast of changes in federal financial aid program rules and guidance. These efforts will position schools for success in administering these important programs for their students.

Q.: How do you help schools succeed?

A.: The students at many schools, and by extension the schools themselves, are highly dependent on financial support from the federal student aid programs. In order for schools to remain eligible to make such aid available to their students, they must demonstrate that they carry out the objectives of these

programs in an effective manner, which includes ensuring compliance with federal rules. A school's annual, independent compliance audits, ED or guarantor program reviews, and any peer or self assessments of the school can help to demonstrate effective compliance. Since the intent of the federal regulations is to provide for the effective and efficient administration of programs like FFELP that remove financial barriers to access for students by ensuring that those regulations are followed, our program review activities contribute to the successful delivery of services to students. This benefits the school, the students, and the federal taxpayers who support these programs.

Q.: How do you keep a work-life balance?

A.: My husband and I have the same birthday, and we usually go on a trip to celebrate together. We've been to the Lassen Volcanic, Crater Lake, Sequoia, King's Canyon, and Redwoods National Parks, in addition to Hawaii. Thanks to my father's military experience and my own military service, exotic places have always been a part of my life. I was born in and grew up in Japan, and I have also lived in Germany and traveled all over Europe.

Questions?

TG's program review team is happy to assist if you have questions about an audit underway. Just ask them. If you have questions about particular federal regulations, please contact TG customer assistance at (800) 845-6267, or send an e-mail message to cust.assist@tgslc.org.

Trends and issues

Understanding the roles of lenders, servicers, and secondary markets

Have you ever wondered what happens to a loan after it is disbursed? Borrowers and schools alike may be surprised to discover that a loan may be originated and disbursed by one entity, and then be sold to or serviced by another entity.

FFELP post-disbursement activities will vary depending on the policies and philosophy of the original lender. In this article we hope to provide a high-level overview of the system and process so that the next time a student comes into your office with a student loan-related letter or statement from an unfamiliar organization, you'll be prepared to answer his or her questions.

What is a lender?

The *Common Manual* says that for purposes of the FFELP, a lender may be a national or state chartered bank, a mutual savings bank, a savings and loan association, a stock savings bank, a credit union, a pension fund, an insurance company, a single state agency, the Student Loan Marketing Association (SLMA), a Rural Rehabilitation Corporation, a nonprofit private agency functioning in a state

as a secondary market, a consumer finance company subsidiary of a national bank, a guarantor, or a school.

Many times we think of a FFELP lender as a traditional banking institution, but as this definition makes clear, a FFELP lender may wear many different “hats” in the program — it may function not only as a lender, but also as a servicer, a secondary market, a guarantor, or a school. To add to the confusion, sometimes each of the different “hats” functions under a different business name.

What is a secondary market?

The *Common Manual* defines a secondary market as follows:

“An entity that purchases education loans from eligible lenders in order to increase the amount of funds available for education loans. The secondary market obtains funds from investors and uses those funds to purchase existing education loans from lenders. The lenders then use the proceeds of those sales to make new education loans.”

Due to the long-term nature of FFELP repayment terms (generally, at least 10 years), it is sometimes not financially viable for a lender to keep a loan in its portfolio for the life of the loan. Secondary markets provide a solution to this situation: When the funds that a lender has dedicated to the FFELP are expended, it may sell a portion of its FFELP loan portfolio to a secondary market in order to obtain new capital to continue making loans through the FFELP. Note that this practice is not unique to the student loan industry; it commonly occurs in other lending markets as well, such as home mortgages and auto loans.

Upon purchasing a FFELP loan, the secondary market is entitled to the same benefits as the lender, such as the ability to file a claim and receive interest and special allowance benefits. While some states have only one secondary market and others have none at all, Texas is unique in having multiple secondary markets.

What is a servicer?

The *Common Manual* defines a servicer as “[a]n entity that enters into a contract with a program participant to administer any aspect of its participation in a Title IV program.” Servicers may be for-profit, nonprofit, or public servicers, as described in Subsection 3.6.B of the *Common Manual*.

Just as a school may contract with a third-party servicer to handle some of its administrative duties, a FFELP lender or secondary market may contract with one or more third-party servicers to perform certain loan servicing and administrative duties. These duties include any activities required under the Higher Education Act (HEA) or FFELP regulations, including originating, monitoring, processing, servicing, and collecting loans, and billing for interest benefits and special allowance.

Borrower notification

How does a student find out if and when his or her loan is sold or transferred? The loan holder is required to notify the borrower in accordance with the following conditions and timelines (described in Subsection 3.4.B of the *Common Manual*):

A borrower must be notified if his or her loan is assigned, sold, or transferred — if the loan is in a grace or repayment status — and the transaction causes a change in the party to whom the borrower must send future payments and communications.

- **Assignment or sale:** If the assignment or sale of the loan changes the identity of the party to whom payments must be made, the loan may be assigned or sold only if it is fully disbursed. If the loan assignment or sale does not change the identity of the party to whom payments are made, the lender may assign or sell the loan any time after making the first disbursement.
- **Transfer:** In some cases — such as a servicer transfer or branch transfer — a FFELP loan that is in grace or in repayment may not be assigned or sold, but the identity of the party to whom the borrower must send subsequent payments or communications may change. If this occurs, the loan holder must notify the borrower that the loan has been transferred and must provide the following information:
 - the name of the new servicer, if applicable.
 - the telephone number and address of the servicer or branch to which the borrower's subsequent payments or communications should be sent.

Often it is this notification that prompts the borrower to visit his or her school and ask for more information.

Of course, if the borrower is unsure of the status of his or her loans, he or she may log into the NSLDS Web site at www.nsls.ed.gov/nsls_SA/. For information on loans that were guaranteed by TG, borrowers may also log into TG's Student Loan Inquiry system at <https://login.tgslc.org/signon/TGSignOn/login.jsp>.

More information

The *Common Manual*, available for download from TG's Web site at www.tgslc.org/policy/integrated_online_manual.cfm, provides the most comprehensive explanation of the roles of the lender, servicer, and secondary market in the FFELP. 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.

Question of the week

Q.: Can a student be granted more than one leave of absence in a single academic year?

A.: Yes. According to the 2007-08 *Federal Student Aid Handbook*, page 5-31:

“Institutions, at their discretion, may grant a student multiple leaves of absence as long as the total number of days for all leaves does not exceed 180 days within a 12-month period. This 12-month period begins on the first day of the student’s initial LOA.”

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

The Bush administration's FY 2009 budget proposal to Congress proposes to save money by repealing the Supplemental Educational Opportunity Grant Program and the Federal Perkins Loan Program, and keeping funds level for other Title IV programs. The House and Senate Budget Committees have rejected the administration's submission and are developing a budget resolution that proposes to increase appropriations for the Pell Grant Program with smaller increases for the other Title IV programs. Learn more by reading the full report on *TG Online* at www.tgslc.org/lege_report/2008/lr_080402.cfm.

This, that, and the other

Each year, Congress designates April as National Financial Literacy Month to promote education on financial and money management issues. This year’s dedication has special resonance given the crisis in various financial markets, including student loans. If you’d like to provide training to your students on financial literacy issues, consider TG’s extensive readymade program on money management and default prevention — Positive+Balance™.

Positive+Balance offers students a series of seminars on the basics of money management and academic and career success. With Positive+Balance, you can help students set and follow a pattern of fiscal responsibility. To find out more, contact your account executive at (800) 252-9743. You can also learn more from TG’s default aversion consultants at (800) 252-9743, ext. 4765, or at (800) 252-9743, ext. 4696.



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Shoptalk Online is published by TG. Unless specifically noted, the policies and procedures outlined in *Shoptalk Online* apply only to loans made under the TG guarantee and not to loans underwritten by other guarantors.

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