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Tip^{of} the Week

Summer jobs are important to many continuing students. Help them line up their next position with some concise advice on job-hunting and interviewing. *Adventures In Education* offers an assortment of tips and checklists at www.aie.org/AIEmail/Issues/20080512/index.cfm.

Federal updates

Loans not fully disbursed pose some risk of insurance and reinsurance eligibility

Borrowers, schools, and lenders continue facing challenges as the student loan marketplace stabilizes. One such challenge is related to loans that are not fully funded.

It is TG's understanding that some lenders reducing participation in, or leaving, the FFELP have cancelled, or plan to cancel, the second or subsequent disbursements of loans on which the first disbursement has already been made. TG has private letter

guidance from ED on this topic, which ED recently reconfirmed during Lender of Last Resort discussions with guarantors. We describe this guidance below.

A FFELP loan is a contract between a lender and a borrower

In its letter dated March 18, 1991, ED states that, “although the statute provides for multiple disbursements of Stafford loans...to reduce program costs and student loan defaults, neither the statute nor program regulations contemplate that a borrower will receive less than the full loan for which a guarantee commitment exists.” Exceptions to this treatment include cases in which the borrower contacts the lender and requests that subsequent disbursements of the loan be cancelled or the school notifies the lender that the borrower is no longer eligible for further loan disbursements. PLUS and Grad PLUS loans receive the same treatment and the same protections.

ED does not view circumstances under which a loan has become less attractive financially to the lender as grounds for the lender to breach its contractual agreement with the borrower. ED indicates that, in its view, the promissory note executed by the borrower and the lender is a binding contract on both parties. In the case of a FFELP loan, the borrower has made a commitment to a school based upon the anticipated receipt of the loan amount to help cover his or her cost of attendance.

Borrower defenses against the lender

If the lender fails to abide by the terms of the contract, the borrower may become unable to honor the commitment to the school and complete the program of study necessary for the borrower to secure employment and repay the loan. ED guidance indicates that this ultimately may provide the borrower with defenses against the lender in the repayment of the first disbursement of the loan.

ED states that any action on the part of the lender that calls into question the enforceability of a loan also calls into question the insurance and reinsurance eligibility of the loan. ED goes on to suggest that lenders take the necessary steps needed to fully disburse loans to borrowers who have already received the first disbursement of their loans.

Questions

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

NASFAA conference watch: TG offers regulatory and borrower-focused training for 2008 conference

In less than two months, financial aid professionals from across the country will be assembling in Orlando, Florida to attend the NASFAA Annual Conference. This year's event, to be held from July 6-9, promises training on an array of regulatory and industry topics — student retention, access, program review, compliance, and new federal grant programs, among others.

TG presents several sessions that consider the regulatory scene. Other sessions consider the effects of changing student demographics on financial aid; managing graduate and professional student aid; and financial literacy services for low-income and first-generation college students.

Any of these sessions is sure to give you insight on the challenges of managing financial aid. Here's a closer look at each TG training.

- **Policy Potpourri**

Co-presenters: Kelly Kaelin, TG senior policy advisor; Emily Attridge, director of financial aid, Stetson University College of Law; and Gordon "Dino" Koff, director of financial aid and admissions, Dartmouth Medical School

When: Sunday, July 6; 2:30 p.m. - 3:45 p.m.

Summary: During this session, presenters ask the audience a series of challenging policy questions on timely federal student aid topics. The game-show format allows audience members to demonstrate their knowledge in a fun, interactive way — and also to take away valuable, practical regulatory information.

- **Advancing Success Through Financial Know-How**

Co-presenters: Linda Gonzalez-Hensgen, financial aid director, El Paso Community College; Mary McKinney, executive director, financial aid, University of Central Florida; Tommy Sims, corporate director, default management, Colorado Technical University; Francisco Valines, director of financial aid, Florida International University; and Anne Walker, financial aid director, Rice University

Moderator: Jacob Fraire, TG assistant vice president of educational alliances

When: Monday, July 7; 9:00 a.m. - 10:15 a.m.

Summary: Low-income and first-generation college students are relying on student loans more and more to finance their college education; and many are incurring other forms of educational debt during their college years. TG has assembled a national panel of experts to discuss how their institutions have

integrated financial literacy services for low-income and first-generation college students. The panel will present relevant research and consider specific examples of programs that promote financial literacy, financial planning, and smart borrowing.

- **Regulatory Perils in Graduate/Professional Aid**

Presenter: Kelly Kaelin, TG senior policy advisor; Emily Attridge, director of financial aid, Stetson University College of Law; and Gordon “Dino” Koff, director of financial aid, Dartmouth Medical School

When: Monday, July 7, 2008, 2:45 p.m. - 4:00 p.m.

Summary: The regulations that govern the administration of federal financial aid and, in particular, financial aid for graduate and professional programs, are complex. In an interactive format, this session will explore a variety of regulatory issues that affect these programs.

- **The Face of Change: Shifting Demographic Trends and the Impact on Student Aid Offices**

Co-presenters: Linda Ballard, associate financial aid director, Texas Southern University; Jon Riester, associate dean, admission and financial assistance, Hanover College; Bill Spiers, director of financial aid, Tallahassee Community College; and Jeff Webster, TG assistant vice president of research and analytical services

When: Tuesday, July 8, 2008; 10:15 a.m. - 11:30 a.m.

Summary: The Hispanic population is the fastest-growing minority in the U.S. — they’re also changing the face of higher education. Additionally, more low- to middle-income students are graduating from high school prepared for college. These populations have historically contained more first-generation students and shown more risk factors for dropping out of college — or never even enrolling because of financial barriers. What will this mean for financial aid administrators throughout the next decade? Jeff Webster, assistant vice president for TG’s research and analytical services, will look at important demographic trends that higher education administrators will be challenged to address. A panel of financial aid administrators will discuss how these demographic changes are affecting their campuses. In light of existing research, a dialogue will be encouraged that stresses:

- Formulating effective financial aid packages;
- Educating first-generation student borrowers;

- Understanding the effects of working while in college on low- to middle-income students; and
- Considering the overall potential impacts of loan default for these demographic populations.

More information

To learn more about the conference, and to view a preliminary agenda, visit [NASFAA Annual Conference 2008](#). To learn more about TG's regulatory training offered through the TG Speakers Bureau, review the online catalog of training offerings at www.tgslc.org/speakers/basics.cfm.

TG's new financial literacy video teaches students the do's and don'ts of credit card spending



A student encounters a credit card marketer in a scene from *Pizza Cravings and Credit Cards*.

From the moment they begin receiving mail on campus, college students are flooded with credit card offers. According to a recent study released by the U.S. Public Interest Research Group (U.S. PIRG), more than 75 percent of students say credit cards have been marketed to them, often on or near campus.

For many college students, credit cards are all too tempting. Credit cards are easy to use, come with no warnings larger than fine print, and offer a ready solution when cash is low. In fact, according to some studies, some 75 percent of students add an extra \$2,000 to their loan debt by the time they collect their diploma.

Learning the credit cards basics

To help students understand how to use and manage credit cards, TG recently developed a series of educational tools, including a short video targeted to high school and college students. The humorous video, titled *Pizza Cravings and Credit Cards*, follows a student as she encounters an on-campus credit card marketer, contemplates a credit card offer in the mail, and receives an "intervention" of sorts on using credit cards.

Available for online viewing through *Adventures In Education* (AIE™) at www.aie.org/College/Paying/Earning/Credit/index.cfm, the video offers a scenario familiar to many college students and teaches some basic card management skills simply and entertainingly.

Anatomy of a credit card statement

TG also offers students help in understanding credit card statements — those monthly bills filled with terms, numbers, and percentages that can be difficult to

figure out. Created as an interactive Web page through TG's college and career planning Web site — AIE — the statement reader displays a facsimile credit card statement. Users just move their mouse over each part of the statement to read pop-up text that concisely defines a term or explains a calculation.

Interactive spending

TG also recently created the Credit Card Skills Builder for AIE. This tool guides users through a simulated credit card spending spree. Students can load up their online shopping cart with video cameras, bicycles, plane tickets, and more. Once they hit the "checkout" button, they find out the true meaning of compounded interest and minimum payments. TG's tool calculates a virtual credit card bill summarizing purchases, available credit, and amount owed.

Find out for yourself

Learn more about TG's assorted financial literacy tools by visiting AIE at www.aie.org/College/Paying/Earning/Credit/index.cfm.

TG training helps schools prepare for entrance and exit counseling

According to federal regulations effective July 1, lenders, servicers, and guarantors can no longer support or participate in providing mandatory entrance and exit student loan counseling to students. To help schools provide this counseling, TG offers a new training session — *Effective Loan Counseling* — as part of Positive+Balance™, TG's workshop series on financial literacy for students and default management for financial aid offices.

Understanding the regs

TG's *Effective Loan Counseling* session defines the information necessary to develop and deliver entrance and exit counseling. In essence, the session establishes a knowledge base that financial aid professionals can use to conduct entrance and exit counseling sessions. Building on the premise that entrance and exit counseling sessions are meant to inform students about their rights and responsibilities as a borrower, the training also helps financial aid professionals:

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

To learn more

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

Tech Report

TG provides support through AdvanTG Web™ for new preferred lender list disclosure requirement

As *Shoptalk Online* reminded readers in last week's [edition](#), final rules released last November 1 require that a school that chooses to develop and distribute a preferred lender list also provide certain disclosures, including comparative information about reduced interest rates and other benefits offered by the lenders to prospective borrowers.

Although the regulations related to lender lists take effect July 1, 2008, schools should begin preparing now to ensure sufficient time to collect the necessary information to comply with this requirement.

Some online help

While each school is responsible for ensuring that the disclosure requirements are met, and for determining the method of dissemination that is most appropriate for its operational environment and student demographics, TG is implementing a new feature in AdvanTG Web to assist schools that wish to provide this information in an online format. Schools will have the ability to enter borrower benefit information via the Lender List screen beginning in early June; the display of this information in TG Loans By Web™ will be available prior to July 1 to help schools meet this regulatory requirement.

Again, due to the short time frame and the large number of schools who will be requesting this information from various lenders, TG encourages schools to begin collecting the borrower benefit information as soon as possible to meet the July 1 regulatory effective date.

Pending further guidance from ED, TG plans — at this time — to allow schools to enter borrower benefit information for the following three categories of borrower benefits:

- Rates and fees,
- Repayment terms, and
- Other.

Schools may also choose to include Web addresses for the lenders on its preferred lender list to provide the borrower an additional research tool in making his or her lender selection.

Instructions on how to enter the information into AdvanTG Web will be provided as the functionality is made available.

Questions?

To learn more, contact TG's product support team at (800) 332-1455, or send an e-mail message to product.support@tgsic.org.

Trends and issues

Question of the week

Q.: When will ED start exercising its authority to purchase student loans under the recently-enacted H.R. 5715?

A.: H.R. 5715 states that this will not occur until ED releases a joint *Federal Register* notice with more details on the loan purchase process. Here is the language that has been inserted into the Higher Education Act (HEA) on this subject:

"SEC. 459A. TEMPORARY AUTHORITY TO PURCHASE STUDENT LOANS.

(a) Authority To Purchase-

(1) . . .

(2) *FEDERAL REGISTER* NOTICE- The Secretary, the Secretary of the Treasury, and the Director of the Office of Management and Budget, shall jointly publish a notice in the *Federal Register* prior to any purchase of loans under this section that —

(A) establishes the terms and conditions governing the purchases authorized by paragraph (1);

(B) includes an outline of the methodology and factors that the Secretary, the Secretary of the Treasury, and the Director of the Office of Management and Budget, will jointly consider in evaluating the price at which to purchase loans made under section 428, 428B, or 428H; and

(C) describes how the use of such methodology and consideration of such factors used to determine purchase price will ensure that loan purchases do not result in any net cost to the Federal Government (including the cost of servicing the loans purchased)."

Shoptalk Online will notify readers once ED has issued a Federal Register notice on ED's authority to purchase loans.

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.

This, that, and the other

The U.S. Financial Literacy and Education Commission offers information and services to improve the financial literacy of all Americans. The Commission created a Web site — MyMoney.gov, available at www.mymoney.gov/default.shtml — which offers links to materials that teach the importance of saving for retirement, managing credit cards, investing, avoiding scams, and many other useful subjects. The site also offers a free “My Money” Tool Kit, which contains a variety of helpful publications aimed on improving financial literacy, including:

- The *Consumer Action Handbook*, a resource directory that provides information on how to contact specific businesses and local consumer protection offices;
- *Get the Facts on Saving and Investing*, which provides helpful tips and worksheets for calculating net worth, income, and expenses;
- *Questions You Should Ask About Your Investments*, which offers advice on questions to ask before investing; and
- The *Savings Fitness: A Guide to Your Money and Your Financial Future*, which provides guidance on preparing a personal savings plan for retirement.



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