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Tip^{of} the Week

TG's *Adventures In Education* (AIE) offers college and career-planning information in Spanish and English. AIE recently added various resources to its Spanish-language offerings including videos on the Free Application for Federal Student Aid (FAFSA). You can find the Spanish resource page on the FAFSA at www.aie.org/Spanish/FAFSAmadeeasy/videoarchive_spanish.cfm.

Federal updates

ED issues reminder of disaster guidance

In light of recent federally-declared disasters, ED released *Dear Colleague Letter* (DCL) GEN-08-10/FP-08-08 on June 24, 2008, to remind schools, lenders, and guarantors of guidance for helping Title IV participants affected by a disaster.

ED has previously issued two DCLs that address this issue. [GEN-04-04](#) provides general guidance on the topic, and [GEN-05-17](#) includes information on the waiver of a student's Title IV grant repayment responsibility if the student withdrew from a school because of a major disaster. The guidance in both letters remains in effect,

and participants should refer to it when addressing any Title IV issues related to any federally-declared disaster.

For more information

GEN-08-10 is available on the Information for Financial Aid Professionals (IFAP) Web site at <http://ifap.ed.gov/dpccletters/GEN0810FP0808.html>.

If a school has questions that are not addressed by GEN-04-04 or GEN-05-17, it should contact its School Participation Team. Lenders and guarantors should contact Federal Student Aid's Financial Partners regional staff serving the location of the lender or agency.

CCRAA impacts R2T4 on the Web

On June 19, ED released an Electronic Announcement informing schools that its R2T4 on the Web site would be updated on September 28, 2008, to implement provisions related to the College Cost Reduction and Access Act of 2007 (CCRAA) that are effective today, July 1, 2008.

To assist schools in completing the calculation in the interim, ED announced on June 23 the availability of new Return of Title IV funds (R2T4) worksheets for clock-hour and credit-hour programs, available in PDF on the Information for Financial Aid Professionals (IFAP) Web site at <http://ifap.ed.gov/aidworksheets/currentoptions.htm>. The revised worksheets, which incorporate changes brought about by the CCRAA, are to be used for all withdrawals that take place on or after July 1, 2008.

To ensure correct usage of R2T4 on the Web during this interim period, the R2T4 on the Web site has been updated to prevent entry of student records with a withdrawal date on or after July 1, 2008; this edit will be removed with the September 28, 2008, update to the site. A school can continue to use the R2T4 on the Web site after July 1, 2008, to perform calculations for students with a withdrawal date prior to July 1, 2008.

Note: ED strongly recommends that schools use the appropriate paper worksheets (and not R2T4 on the Web) to perform calculations for students who have a withdrawal date prior to July 1, 2008, but a date of determination on or after July 1, 2008. The Web site will not correctly calculate certain statistics for records falling under this scenario.

For more information

The June 19 Electronic Announcement is available at <http://ifap.ed.gov/eannouncements/061908AddtITEACHGrantOpImp.html>.

The June 23 Electronic Announcement is available at <http://ifap.ed.gov/eannouncements/052308R2T4WebRelDelay.html>.

If you have any questions regarding R2T4 on the Web, contact CPS/SAIG Technical Support at (800) 330-5947 (TDD/TTY (800) 511-5806) or by e-mail at CPSSAIG@ed.gov.

Déjà vu? Another HEA extension

It seems every few weeks, *Shoptalk Online* has reported another extension of the Higher Education Act (HEA). The most recent extension, S. 3180, was approved by Congress on June 25, and has been sent to the president for his signature. Like the previous bill, this is a "clean" extension, changing only the expiration of the HEA from June 30, 2008, to July 31, 2008.

For more information

Shoptalk Online will keep readers apprised of the progress of the reauthorization process. To access the text of S. 3180, go to Thomas, the U.S. Congress Web site, at <http://thomas.loc.gov>. In the space for "Search Bill Text," enter "S. 3180," click on "Bill Number," and click "Search."

ED releases terms and conditions of loan purchase programs under ECASLA

On July 1, ED published a notice of terms and conditions of the purpose of loans under the Ensuring Continued Access to Student Loans Act of 2008 (ECASLA). Along with terms and conditions, the notice outlines the methodology and factors considered in evaluating the loan purchase price. The terms and conditions are effective on the date of the notice's publication in the *Register*.

Background

ECASLA established a loan purchase commitment program and a loan participation purchase program, with the goal of ensuring student loan availability for the 2008-2009 academic year. These programs will offer temporary liquidity to FFELP lenders at prices that will encourage continued participation in the FFELP (see *Shoptalk Online* editions [453](#) and [456](#)).

For the purpose of these programs, eligible loans under both programs include, "FFELP subsidized or unsubsidized Stafford Loans and FFELP PLUS loans that were made to students (and parent PLUS loans made to parents of dependent students) for loan periods that include, or begin on or after, July 1, 2008, . . . and on which the first disbursement is made on or after May 1, 2008, but no later than July 1, 2009, and is fully disbursed no later than September 30, 2009."

In order to be included in either program, loans must comply with certain borrower benefit restrictions (see *Shoptalk Online* edition [459](#) for more information).

Participation requirements

A lender that wishes to participate in either of these programs must file a Notice of Intent to Participate (included as an appendix to the advance copy of the terms and conditions notice) which permits, but does not obligate, them to participate. In order to allow loans originated as early as May 1, 2008, to be eligible for purchase, ED must receive the lender's completed Notice of Intent to Participate within 15 days of the official publication of the notice in the *Federal Register*. If ED does not receive the lender's completed Notice of Intent to Participate by that date, only loans originated on or after the date on which ED receives the document will be eligible for sale to ED. Loans that are originated by a lender and then sold to another lender will be subject to special rules as outlined in the notice.

To participate in the loan purchase commitment program, a lender must also enter into a Master Loan Sale Agreement with ED. The loan participation purchase program requires that a participating lender enter into a Master Participation Agreement with ED and a third-party custodian acceptable to ED.

Terms and conditions of the loan purchase commitment program

Purchases may occur between July 1, 2008, and September 30, 2009. For each loan it purchases, ED will pay a purchase price equal to the sum of:

- The outstanding principal balance of the loan at the time of sale,
- Accrued and unpaid interest on the loan as of the time of sale,
- A reimbursement of the one percent loan fee previously paid to ED by the lender, and
- A flat \$75 fee for each loan, to cover administrative, servicing, and financing costs, including those for origination and deconversion (removal of loans from a lender's system).

The notice describes additional terms and conditions of the loan purchase commitment program, including some items of particular interest:

- By executing a Master Loan Sale Agreement, a lender represents to ED that it will continue to participate in the FFELP and that when private sources of funding become reasonably available from private sources, it will originate new FFELP loans or acquire FFELP loans made by other lenders after the date of ED's purchases from the lender. The lender must deliver the MPN for each loan to ED (or its agent), as well as any and all other documents and computerized records relating to the loan.
- Upon purchase of a loan, ED obtains all rights to service the loan and may require its deconversion in order to service the loan, either through ED or through a third-party servicer of its designation. The guaranty is cancelled at that time.

- The lender must execute the Master Loan Sale Agreement no later than March 31, 2009; after ED countersigns the Master Loan Sale Agreement, and at least forty-five days before the date of any intended sale of loans, the lender must notify ED of its intent to sell loans.
- A lender must notify ED that it will exercise its option to sell the fully-disbursed loan(s) no later than August 14, 2009, and must complete all loan sales on or before September 30, 2009.

Terms and conditions of the loan participation purchase program

Under this program, a sponsor (a lender that sells participation interests) transfers the title of a loan to a short-term trust with a custodian in exchange for ED's purchase of participation interests in that loan. Upon expiration, a trust may pay off ED's participation interest, either through a refinancing arrangement with an institution other than ED, or by selling the loans to ED (as described in "Terms and conditions of the loan purchase commitment program" above). All loans made using these participation interests are originated and serviced as FFELP loans.

A lender participating in this program would have to either pay off ED's participation interest, or sell it to ED, by September 30, 2009. If a lender sells its participation interests, it will be charged the commercial paper rate plus 50 basis points (essentially, this is the interest rate ED is charging on its participation interest in the loan). If a lender sells the loans which are subject to the participation interest(s) to ED, the guaranty arrangement will be cancelled.

As with the loan purchase commitment program, ED provides some additional information of special note:

- If a lender executes a Master Participation Agreement for this program, it represents to ED that it will continue to participate in the FFELP and that when private sources of funding become reasonably available from private sources, it will originate new FFELP loans or acquire FFELP loans made by other lenders after the date of ED's purchases from the lender.
- ED will not enter into a Master Participation Agreement with a lender after July 1, 2009, and the sponsor must exercise the option to sell participation interests on or before August 1, 2009.
- The custodian is responsible for all fees or charges owed to ED or the guarantor on a purchased loan after it has been transferred to the custodian, including amounts owed to ED as a recapture of excess interest ("negative special allowance").
- Each sponsor will be required to represent and warrant to ED that it intends to sell participation interests with an aggregate unpaid principal balance of not less than \$50 million.

- Each loan included in a participation interest shall be serviced by or at the direction of the custodian.

For more information

The notice is available online at <http://edocket.access.gpo.gov/2008/pdf/E8-14820.pdf>. TG encourages readers to examine the notice carefully; this article provides only a high-level summary of the 30-page document.

TG updates

Making the training difference: Join TG at this year's NASFAA Conference

TG's training sessions at this year's NASFAA National Conference focus on an assortment of timely financial aid topics, including regulatory changes, financial literacy, student retention, and lender list creation.

TG presenters will be leading discussions or moderating sessions, offering an informal setting for audience members to ask questions on issues important to them.

Varied agenda

For this year's conference, TG constructed a program of sessions with something for every financial aid professional — from the latest regulatory changes to financial literacy research.

- **Regulatory training:** TG's Kelly Kaelin will be co-presenting two regulatory sessions — *Policy Potpourri* (Sunday, July 6; 2:30 p.m.) and *Regulatory Perils in Graduate/Professional Aid* (Monday, July 7; 2:45 p.m.) — with Gordon "Dino" Koff, director of financial aid, Dartmouth Medical School. Audience members will learn their regulatory facts by competing informally in a friendly game of knowledge. The focus is on practical regulatory information and interactive learning.
- **Financial literacy:** A special session — *Advancing Student Success Through Financial Know-How* (Monday, July 7; 9:00 a.m.) — assembles a panel of experts to discuss what their campuses offer in the way of financial literacy services for low-income and first-generation college students. The panel will discuss relevant research and consider programs that promote financial literacy, financial planning, and smart borrowing. (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)

- **Student retention:** *The Face of Change: Shifting Demographic Trends and the Impact on Student Aid Offices* (Monday, July 7; 9:00 a.m.) considers important demographic trends in the Hispanic population that higher education administrators must address. A panel of financial aid administrators will discuss how these changes are affecting their campuses, and then lead a discussion on creating effective financial aid packages for first-generation students; understanding the effects working while in college have on low- to middle-income students; and managing the potential impacts of loan default for a changing population. (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 for research and analytical services)
- **Lender list creation:** TG offers a special training session at the NASFAA Conference titled, *Automating Your Lender Selection Process* (Monday, July 7; 2:45 p.m., and Tuesday, July 8; 10:15 a.m). The session is designed to provide financial aid professionals with a discussion of preferred lender lists (PLL). Among other things, the session offers an overview of current issues; examines why schools elect to use a PLL; suggests practices for handling the creation of a PLL; and provides a preview of TG's forthcoming lender survey tool — List AssistSM. This session will be presented by Margie Harvey, TG market strategist.

More information

Stop by the TG booth (#432) to learn the latest about TG's products and services. To learn more about the conference, and to view the agenda, visit [NASFAA National Conference 2008](#). Find out about TG's regulatory training offered through the TG Speakers Bureau by reviewing the online training catalog at www.tgslc.org/speakers/basics.cfm.

TG's June *Edufacts*TM: Few students graduating with skills to manage finances well

TG's latest *Edufacts*TM considers some sobering news on the money management skills of high school seniors. Many of today's students are graduating with the equivalent of an "F" in financial literacy. Basic concepts of saving, investing, and using credit wisely elude many students, according to a biennial test administered by the Jump\$tart Coalition for Personal Financial Literacy®.

The latest test was given to over 6,800 seniors from high schools in 40 states. High school seniors have scored consistently low since the test was first administered in 1997. Students responded correctly to about 57 percent of the questions that year — the highest score. Grades on this year's survey showed a marked decline – down to 48 percent.

Students continue to be challenged by a range of financial concepts. Some 42 percent understood that sales tax actually adds to the cost of a purchase. Less than

49 percent correctly said that someone who pays the minimum amount on a credit card will pay more in finance charges than someone who pays the entire balance. And only 17 percent answered that stocks are likely to yield better returns than savings bonds.

Many colleges recognize that low financial literacy is an issue for their students, especially incoming freshmen. Financial aid offices regularly field questions on a variety of rudimentary financial skills, including how to budget or how to build good credit. A growing number of financial aid officers have begun connecting financial literacy with a student's long-term ability to thrive in college and in a career.

To learn more

To read the complete edition of this *Edufacts*, visit www.tgslc.org/edufacts/2008/edufacts_0608.cfm.

Stay on top of loan interest rates with TG poster

The College Cost Reduction and Access Act of 2007 (CCRAA) made a number of significant changes to federal student loan programs, including cutting interest rates for certain subsidized Stafford loans.

Effective today, July 1, 2008, the fixed interest rate for undergraduate subsidized Stafford loans (FFEL and Direct) has changed. For loans first disbursed on or after July 1, 2008, and before July 1, 2009, the rate is 6.0 percent. As this applies only to undergraduate students, the interest rate for subsidized Stafford loans for graduate students remains at 6.8 percent. The interest rate for unsubsidized Stafford loans for both undergraduate and graduate students also remains at 6.8 percent.



The interest rate on FFELP PLUS loans first disbursed on or after July 1, 2006, is fixed at 8.5 percent. This interest rate remains the same.

TG offers a poster to remind you of the new subsidized Stafford loan interest rate, the unsubsidized Stafford loan interest rate, and the PLUS interest rate. The poster is a simple and convenient way to inform borrowers of interest rates on federal student loans.

To order

You can order the interest rate poster by visiting *TG Online* at www.tgslc.org/order/index.cfm and selecting "School Resources" under "Financial Literacy and Default Aversion."

To learn more

You can direct your student and parent borrowers to other sources of help as well as feature this poster in your office lobby. For questions about the FFELP and the latest Stafford and PLUS interest rates, contact TG's customer assistance team at (800) 845-6267, or send an e-mail message to cust.assist@tgslc.org.

TG provides support for lender list disclosure requirement

Final rules released last November 1 provided the requirements a school must meet if it chooses to distribute a preferred lender list to its borrowers. One of those requirements is to provide certain disclosures, including comparative information about reduced interest rates and other benefits offered by the lenders to prospective borrowers.

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 has implemented a new feature in AdvanTG Web™ and TG Loans By Web™ (LBW) to assist schools that wish to provide this information in an online format. Schools were given the ability to enter borrower benefit information via the Lender List screen beginning in early June; the display of this information in LBW was activated as of Saturday, June 28th. Information schools have entered is now available to borrowers in LBW to assist them in their lender selection.

TG encourages those schools that have not done so already to collect the borrower benefit information as soon as possible; this, and the other lender list requirements take effect today, July 1. Pending further guidance from ED, TG has broken the borrower benefit information into the following three categories:

- 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.

More information

If you have any questions on how to enter the information into AdvanTG Web, please contact your TG regional account executive for assistance.

TG updates internal systems with annual and aggregate loan limits

On May 1, 2008, Congress approved H.R. 5715, the "Ensuring Continued Access to Student Loans Act of 2008" (ECASLA) which includes loan limit increases for undergraduate Stafford loan borrowers. On June 18, ED issued *Dear Colleague Letter* (DCL) GEN-08-08/FP-08-07, which addresses the increases in Stafford annual and aggregate undergraduate loan limits and provides the effective date as loans with first disbursements on or after July 1, 2008. For loan periods that cross over July 1, 2008, the increased loan limits apply only if the first disbursement is on or after July 1, 2008; or if the school certifies a supplemental loan for the loan period with a first disbursement on or after July 1, 2008.

As of June 28th, TG has updated both annual and aggregate loan limits throughout its systems per the guidance mentioned above. Related to the limits, ECASLA:

- Increases the Stafford annual loan limit for dependent undergraduates by \$2,000; this increase may be composed only of unsubsidized funds.
- Increases the additional unsubsidized Stafford annual loan amounts available to independent undergraduates, and to dependent undergraduates whose parents cannot borrow a PLUS loan by \$2,000. This results in a total additional unsubsidized loan amount of \$6,000 per year for first- and second-year undergraduate students, and a total additional unsubsidized loan amount of \$7,000 per year for third-, fourth-, and fifth-year undergraduate students.
- Increases the Stafford aggregate loan limits to \$31,000 for dependent undergraduates and to \$57,500 for independent undergraduates and dependent undergraduates whose parents cannot borrow a PLUS loan (but the subsidized portion of the aggregate limit still may not exceed \$23,000 for both groups).

For additional information about the changes to loan limits please reference *Shoptalk Online* editions [453](#) and [460](#). In addition, ED issued *Dear Colleague Letter* (DCL) GEN-08-04/FP-08-04 which announced an increase in the aggregate loan limit for graduate and professional students enrolled in certain approved health profession programs to \$224,000, effective April 18, 2008. TG's guarantee, support, and reporting team has been manually processing requests that surpassed the new aggregate limits; with the June 28 updates, this aggregate loan limit has been updated on TG's systems and will allow these loans to process without manual intervention.

More information

If you have any questions, please contact TG's guarantee, support, and reporting team at (800) 446-5616, or send an e-mail message to lgo.helps@tgslc.org.

Trends and issues

Question of the week

Q.: I'm a little confused about how the new undergraduate Stafford loan limits in the Ensuring Continued Access to Student Loans Act (ECASLA) will impact undergraduates whose parents are unable to borrow a PLUS loan.

For example, if a junior, dependent undergraduate borrows the subsidized Stafford annual limit of \$5,500 and the new additional unsubsidized Stafford annual loan limit of \$2,000, and then the student's parents apply for a PLUS loan and are denied, is the student now eligible to borrow the new increased \$6,000 (\$4,000 + \$2,000) additional unsubsidized Stafford annual loan limit?

A.: No. A student cannot receive both the dependent undergraduate additional unsubsidized Stafford limit of \$2,000 and the increased additional unsubsidized Stafford limit for students whose parents are unable to borrow a PLUS loan — he or she can have the benefit of one or the other. The most Stafford loan funds this student can borrow for the year is \$12,500 (no more than \$5,500 of which can be subsidized).

This is per *Dear Colleague Letter* GEN-08-08, which states "Dependent, undergraduate students whose parents are unable to borrow a PLUS loan are not eligible for both the new \$2,000 annual loan limit available to dependent undergraduate students and the increased \$6,000 or \$7,000 additional Unsubsidized Stafford Loan annual loan limit."

[TG Online](#) offers a handy chart with the new annual and aggregate Stafford loan limits that became effective July 1, 2008.

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

TG will be closed on Friday, July 4, 2008, due to the Independence Day Holiday. TG will reopen at normal business hours on Monday, July 7, 2008.

This closure will affect EFT disbursements, change transactions, and application processing. Files submitted after 11:59 p.m. CDT on Thursday, July 3, 2008, will process with the next scheduled processing run on Monday, July 7, 2008. Funds for EFT reports that you receive on Thursday, July 3, 2008 will disburse on Monday, July 7, 2008.

If you have any questions or need assistance, please contact Product Support at (800) 332-1455, or send an e-mail message to product.support@tgsic.org.



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