

In this issue:

Federal updates	1
Reauthorization: FFELP provisions	1
ED releases new loan purchase program information	4
Closed school corner	4
TG updates	5
Council dialogue explores best practices in default prevention for servicers	5
Demystifying the credit report: TG's <i>Adventures In Education</i> offers interactive credit report example for students and parents	6
Training spotlight: EFT disbursement process — Three Day and Next Day funding timelines	7
Trends and issues	9
Question of the week	9
This, that, and the other	10

Tip^{of} the Week

TG recommends that borrowers pursue all their FFELP options before considering taking out a private loan for educational expenses. However, if your students have exhausted their federal student loan options and would like more information about a private, educational loan, offer them an overview of the subject through *TG Online* at www.tgslc.org/borrowers/loans/private.cfm.

Federal updates

Reauthorization: FFELP provisions

In last week's [Shoptalk Online](#), we provided a brief overview of the most significant provisions included in the Higher Education Opportunity Act, the long-awaited reauthorization bill that amends and extends the Higher Education Act (HEA). We encourage readers to review carefully this bill, H.R. 4137, as it is extensive and covers many topics outside of Title IV that may impact various entities. Congress passed the bill by a veto-proof majority, and while the president has not yet signed H.R. 4137, he is expected to do so in the near future.

Although many provisions in this bill are effective upon enactment, ED has historically worked with the financial aid community to develop guidelines and deadlines for implementing changes brought about by the reauthorization process.

Also keep in mind that for many of the provisions in H.R. 4137, ED will conduct negotiated rulemaking sessions to provide clarification and interpretation of the law.

In today's article, we will focus in more detail on some of the FFELP-related provisions included in the bill. In future articles we will cover additional FFELP-related issues, as well as some of the non-FFELP topics. Some of the changes are more extensive and detailed than we can address in this article; in those cases, we have noted the change and provided a cite of the relevant section of H.R. 4137 for easy reference. Here is a selection of significant changes.

The legislation:

- Permits a borrower who is a teacher employed by an educational service agency to qualify for loan forgiveness under the Teacher Loan Forgiveness program.
- Restricts a borrower's eligibility for loan rehabilitation, which was previously an unlimited benefit, to only once per loan.
- Permits a Grad PLUS borrower to defer repayment until six months after dropping below half-time enrollment.
- Requires a school to establish readmission procedures for students returning from active duty in the Armed Forces (including the National Guard or Reserve) after serving for a period of more than 30 days. The school must readmit the student, with the same academic status, if:
 - It had advance notice of the student's absence, unless military necessity precludes giving such notice.
 - The student's cumulative absence does not total more than five years, with some exceptions to this timeframe.
 - The student notifies the school that he or she intends to re-enroll.

If necessary, the student can fulfill these requirements retroactively. A dishonorable or bad conduct discharge disqualifies the borrower from these readmission considerations.

- Modifies exit counseling content for Stafford and Perkins loan borrowers; the full list of requirements is available in Section 488 of the bill.
- Requires schools to provide comprehensive information about the terms, conditions, and borrower responsibilities associated with FFELP (and/or Direct) Stafford and Grad PLUS loans, prior to disbursing such a loan to a first-time borrower. This information may be provided at the same time as loan entrance counseling, or through a written document or online system that requires the borrower to acknowledge receipt. See Section 488 of the bill for detailed requirements.

- Permits lenders, at the school's request, to use NSLDS data to verify a borrower's half-time enrollment in determining eligibility for an in-school deferment.
- Upon transfer of a loan to another lender, both the current and new loan holder must notify the borrower of the effective date of transfer, and the dates the current and new holder will cease and begin accepting payments, respectively.
- Requires a lender to inform the borrower about possible loss of a FFELP loan, Direct loan, and Perkins loan benefits upon consolidation when it provides a Consolidation loan application. The lender must also:
 - Provide information about available repayment plans;
 - Inform the borrower that consolidation benefit programs may vary among different lenders;
 - Advise the borrower of the consequences of default; and
 - Notify the borrower that she is not obligated to borrow a Consolidation loan.
- Permits a national or state chartered bank, or a credit union, with assets less than \$1 billion to have as its primary consumer credit function the making and holding of FFELP loans.
- Requires a guarantor, upon receipt of a default claim, to inform the defaulted borrower, at least twice, of the options for removing the loan from default, as well as the fees and conditions associated with each option.
- Directs guarantors, in conjunction with schools, to develop and make available educational programs and materials to provide training for students and families in budgeting and financial management.
- Limits the number of semesters of Pell grant funding that certain students may receive. A student who first receives a Pell grant on or after July 1, 2008, is limited to 18 semesters (or the equivalent) of Pell grant funding. If a student is enrolled less than full time, his duration of eligibility is adjusted accordingly.
- Allows an eligible borrower to request, under the Servicemembers Civil Relief Act, an interest rate reduction on a FFELP loan first disbursed on or after July 1, 2008, and prior to beginning military service or activation. For such a loan, the special allowance payment will be based upon the actual interest rate assessed to the borrower, not the statutory interest rate.

For more information

To access the text of H.R. 4137, go to THOMAS, the U.S. Congress Web site, at <http://thomas.loc.gov>. In the space for "Search Bill Text," enter "H.R. 4137," click on "Bill Number," and then "Search." Choose the final document in the list, the

“Higher Education Opportunity Act (Enrolled as Agreed to or Passed by Both House and Senate).”

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

ED releases new loan purchase program information

Last week, ED provided additional guidance on loan purchase program procedures in a series of Electronic Announcements (E-ANN).

E-ANN 13, posted on August 6, is a follow-up to E-ANN 12 and provides further details on the document submission process for the loan participation purchase program. E-ANN 13 includes the “Table Load Procedures for the Loan Schedule and Custodial Certification,” which explains the edits ED will run against each Loan Schedule and Custodial Certification data file transmission before funding the participation request.

E-ANN 14, posted on August 7, provides instructions to banks that wish to request approval to function as a custodian under the Loan Participation Purchase Program.

Also on August 7, ED posted E-ANN 15 regarding the preparation and submission of the Monthly Rolling Forecast, and procedures for submitting the Monthly Rolling Forecast to ED.

For more information

The E-ANNs and related attachments are all posted in the “News and Announcements” section at <http://federalstudentaid.ed.gov/ffelp/>.

Closed school corner

The following table provides a list of newly reported school closures and error corrections from the Postsecondary Educational Participants System (PEPS) and from the August 2008 *Closed School Monthly Report* supplied by the Department of Education.

Newly reported closures

OPE School ID	School Name and Address	Unofficial Closure Date	ED’s Official Closure Date
02065501	Brooks College-Sunnyvale 1120 Kifer Road Sunnyvale, CA 94086 5303	N/A	06/20/08

TG updates

Council dialogue explores best practices in default prevention for servicers

Recent developments in the FFELP have made it challenging for program participants to keep up with regulatory and legislative changes and, at the same time, conduct normal business activities. Recognizing the role that servicers play in default prevention, the Council for the Management of Educational Finance (Council) sought ways to help servicers address challenges in student loan repayment.

On Tuesday, July 15, the Council and TG hosted a Debt Management Servicer Dialogue. The discussion was led by Council members Jim Carroll and Phillip Wambsganss.

The program included:

- An overview of TG's debt management and default prevention initiatives, presented by Shelia Dunlap, TG's assistant vice president for default prevention;
- An overview of TG's research regarding cohort default rates, repayment trends, and other related data, presented by Matt Steiner, TG's senior research analyst; and
- A concluding discussion highlighting the challenges and opportunities that exist as guarantors, servicers, lenders, and other industry participants work together to prevent default.

Over 20 representatives participated in the presentation and conversation, and plans were made to continue the dialogue on default prevention. Schools will have an opportunity to participate in a second dialogue, which is scheduled to take place this fall.

"Now more than ever, it's important that lenders, guarantors, and the entire financial aid community remain committed to helping students manage their student loan debt," said Maria Luna-Torres, liaison to the Council and TG's director of education finance initiatives.

About the effort

For over 10 years, the Council and TG have worked together to address some of the most important issues affecting students' ability to successfully repay their student loans.

For more information

To learn more about the initiatives of the Council, visit *TG Online* at www.tgslc.org/council. You can also contact Maria Luna-Torres at (800) 252-9743, ext. 4632, or send an e-mail message to maria.luna-torres@tgslc.org.

Demystifying the credit report: TG's *Adventures In Education* offers interactive credit report example for students and parents

Credit reports can be intimidating, even for those consumers with a good credit rating. After all, credit reports function like a financial report card, providing a financial "grade," or credit score, which determines an individual's eligibility for almost any kind of loan, from a mortgage to a car note. Reports also play a key role in setting an interest rate on a loan once a borrower is deemed credit-worthy.

TG's *Adventures In Education* (AIE™) provides an interactive credit report "reader" to help students and parents understand the details of a credit report. The reader features information commonly found on a real credit report, including account information, payment history, and credit inquiries. However, the reader is meant as a reference tool and does not display a particular credit reporting company's actual report. An individual's credit report may contain more or less information arranged differently.

Easy answers, interactive experience

Credit Report for Jonathan D. Moneymaker
File Number: 955224
Date Issued: 07/08/2008

Personal Information
Name: Jonathan D. Moneymaker
Date of Birth: 05/26/77
You have been on our files since 02/1986
SSN: XXX-XX-2224
Telephone: 555-5335
Your SSN is partially masked for your protection

CURRENT ADDRESS
Address: 10111 Landmark Blvd
Big City, TX 78705
Date Reported: 02/2008

PREVIOUS ADDRESSES
Address: 5678 Main St., #8880
Big City, TX 78705
Date Reported: ...

EMPLOYMENT DATA REPORTED
Employer Name: Really Big Company Inc.
Date Reported: 03/2005
Position: ...
Date Hired: 05/2004

Account Information
PINGBANK AMERICA #123456789
1234 FIDELITY PARK
GREENSBUCK, CA 95555
0800 555-5555
Balance: \$0
Date Updated: 06/2008
High Balance: \$100
Credit Limit: \$1000
Paid On: \$0

Payment History
Last 48 Months

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2007	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
2006	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
2005	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
2004	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

Account Information
LAMCONET CREDIT #3306655
55555-A SALTBRICK DR
GREENSBUCK, TX 95555
(877) 555-9888
Balance: \$0
Date Updated: 06/2008
High Balance: \$11,500
Paid On: \$0
Term: 60 Months for 60 months

Public Record Information
None listed

Inquiries
The following companies have received your credit report. Their inquiries remain on your credit report for two years.

INQUIRY	Requested On:	Request Type:	Permissible Purpose:
FIRST DIVIDED MORTGAGE via LANDLINES CREDIT	01/01/2008	Particular	CREDIT TRANSACTION

5555 WOODEN MOUNTAIN
404-555
GREENSBUCK, CA 95555
(800) 555-6662

The AIE credit report example offers a number of advantages to anyone interested in understanding credit. It provides an "active learning experience" — that is, by mousing-over sections of the report, users can view a pop-up window containing a concise definition for each section of the report. The format also has the virtue of summarizing a great deal of information in a compact format and, at the same time, answering questions for the reader as he or she reviews the content.

A credit report is essentially an historical record of borrowing and payment. The straightforward approach of the AIE credit report reader helps demystify the subject and gives a grounding for consumers interested in learning more about credit. Its presentation is also compelling to students who, according to many studies, spend a good portion of their free time on the Internet doing schoolwork, shopping for goods and services, and socializing.

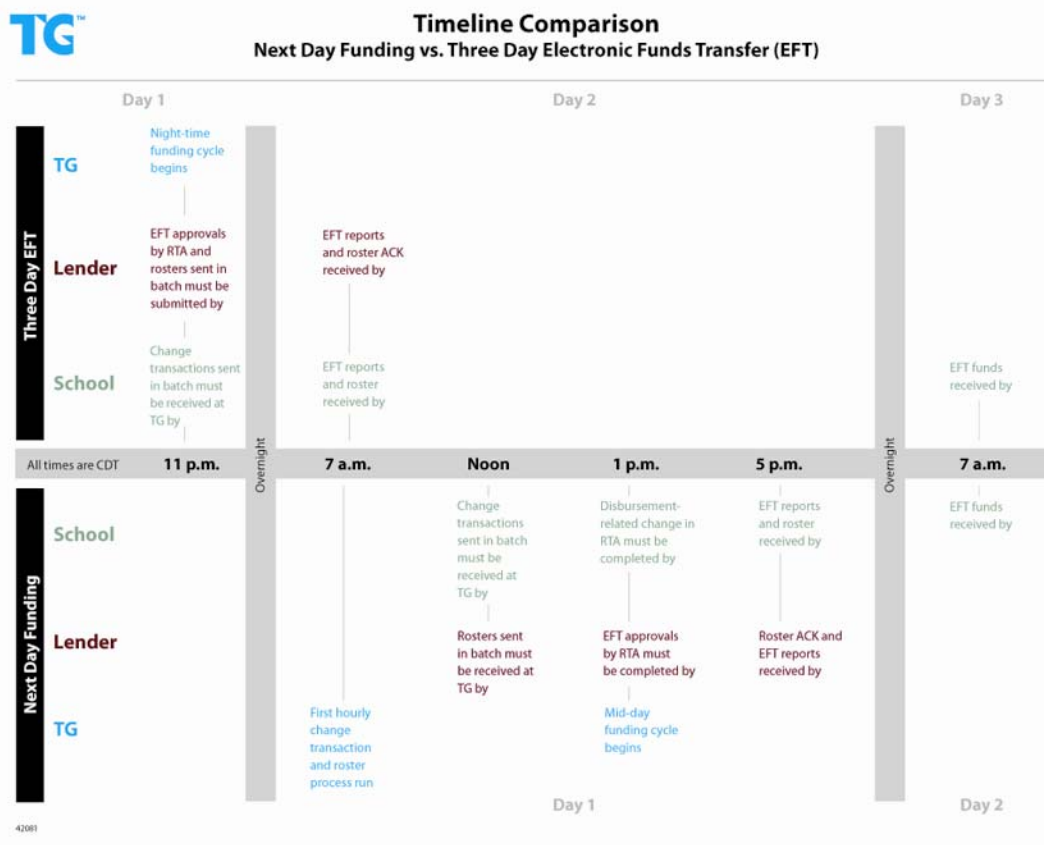
Find out for yourself

You can review the reader, and refer students and parents to it as well, at www.aie.org/College/Paying/Earning/Credit/interactivereport.cfm. A listing of a variety of TG's other online financial literacy tools can be found by visiting AIE at www.aie.org/financialliteracy/index.cfm.

Training spotlight: EFT disbursement process — Three Day and Next Day funding timelines

TG recently hosted two product training webinars on the Electronic Funds Transfer (EFT) process. In addition to providing an overview of the various disbursement reports that are available to schools and lenders through AdvanTG Web™ and TG's EFT Web site, the webinars offered a review of the EFT funding cycle timeline.

The illustration of the EFT timeline provided below offers a useful summary of important steps in the Three Day and Next Day funding cycles. The timeline may be particularly useful during peak season as schools and lenders prepare for disbursement processing for students.



Three Day Funding

The following steps must be followed two business days prior (Day 1) to the scheduled disbursement date (Day 3) in order for the disbursement to be processed through TG's funding cycle and successfully disbursed according to schedule.

- Day 1
 - Lenders must have received the EFT approval/roster file by 11 p.m.
 - Schools must have set the disbursement in a "release" status. Schools can set a disbursement status with a change transaction or make changes through Real Time Access (RTA); in either case, the change must be received by 11 p.m.
 - Any other disbursement changes received through RTA or via change transaction files must be received by 11 p.m.

If all of the above steps are followed, the disbursement will be successfully processed through the 11 p.m. funding cycle. Here's what happens on days 2 and 3.

- Day 2
 - EFT reports and files are received by 7 a.m. one business day prior to the disbursement day.
- Day 3
 - Schools receive funds in the early morning.

Next Day Funding

The following steps must be followed one business day prior to the scheduled disbursement date (Day 2) in order for the disbursement to be processed through TG's funding cycle and successfully disbursed according to schedule.

- Day 1
 - Lenders must have received EFT approval/roster file by 12 p.m.
 - Schools must have set the disbursement in a "release" status. Schools can set a disbursement status with a change transaction or make a change through RTA. A change transaction to change the status must be received by 12 p.m. Changes through RTA must be processed by 1 p.m.
 - Any other disbursement changes via change transaction files must be received by 12 p.m.
 - Any disbursement changes received through RTA must be processed by 1 p.m.

If all of the above steps are followed, the disbursement will be successfully processed through the 1 p.m. funding cycle.

- EFT reports and files will be then be received by 5 p.m. (although normally between 2 p.m. and 4 p.m.) one business day prior to the disbursement day.
- Day 2
 - Schools should receive disbursement funds by the early morning.

To learn more

If you have questions about TG's EFT process or would like to become an EFT participant, please contact your TG account executive or lender consultant.

For technical questions regarding EFT, please 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.: Is a borrower who has had a federal loan or grant overpayment discharged in bankruptcy eligible for additional federal student aid?

A.: Yes. According to the 2008-09 *Federal Student Aid Handbook*, page 1-47:

"A student with an FSA loan or grant overpayment that has been discharged in bankruptcy remains eligible for FSA loans, grants, and Work-Study (NSLDS loan status code BC for loans that did not default and status code DK or OD for loans that defaulted prior to the bankruptcy discharge). A borrower doesn't have to reaffirm a loan discharged in bankruptcy in order to be eligible. The Bankruptcy Reform Act of 1994 prohibits denial of aid based solely on filing for bankruptcy or having a debt discharged in a bankruptcy.

A borrower who lists a defaulted FSA loan or grant overpayment in an active bankruptcy claim is eligible for further FSA funds if the borrower provides you with documentation from the holder of the debt stating it is dischargeable (NSLDS loan status code DO).

A borrower who includes a non-defaulted FSA loan in an active bankruptcy claim, so that collection on the loan is stayed, is eligible for aid as long as he has no loans in default (including the stayed loan)."

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 tgsic.custhelp.com.

This, that, and the other

Recently, ED and the Federal Trade Commission (FTC) jointly released a consumer guide to help students and their families navigate the maze of offers they may face when seeking new student loans to pay for higher education. The publication, *Student Loans: Avoiding Deceptive Offers*, provides advice to help consumers detect and avoid deceptive marketing offers from private companies seeking their student loan business.

The free brochure, available at <http://ombudsman.ed.gov/hottopics.html>, also provides a comparison of the different benefits and terms for federal and private loans.

ED's press release on the consumer guide can found at www.ed.gov/news/pressreleases/2008/07/07032008.html.



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To ask questions about *Shoptalk Online*, please contact Communications at (800) 252-9743, ext. 4732, or send an e-mail message to communications@tgscl.org.

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