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Tip^{of} the Week

Choosing a college or university is one of the biggest decisions students can make. Many high school seniors are currently exploring their college options. You can offer them help with *Adventures In Education's* "Choose Your College," which is located at www.aie.org/HighSchool/Choosing/index.cfm.

Federal updates

Reauthorization: Loan counseling

In recent *Shoptalk Online* articles (see editions [467](#), [468](#), [469](#), and [470](#)), we have provided summaries of the various changes brought about by the Higher Education Opportunity Act of 2008 (HEOA), the legislation that amends and extends the Higher Education Act (HEA). This week we begin a series of articles focusing on the details of select provisions in hopes of clarifying the required changes and assisting our customers in planning for inevitable operational changes.

Keep in mind that while some provisions in the HEOA have delayed effective dates, most of the changes were effective upon enactment — August 14, 2008. Although we expect additional guidance from ED in the form of a *Dear Colleague Letter* in the near future, as well as the development of regulations through the negotiated rulemaking (Neg Reg) process (see *Shoptalk Online* edition [470](#) for more information), ED has stated that in the interim, all affected entities are responsible for taking the steps necessary to comply by the effective dates established by the HEOA.

Readers who have already reviewed the changes that the HEOA made to the HEA may have noticed that it includes many provisions that overlap with, and at times contradict, current regulatory requirements. Statute always supersedes regulation, so until these discrepancies are reconciled in the Neg Reg process, the financial aid community must adhere first and foremost to the requirements in the HEA, as amended, while continuing to comply with the regulations. Perhaps no topic in the HEA better illustrates this predicament than the sections on loan entrance and exit counseling.

The HEOA has codified many of the existing regulatory requirements, and has added several new provisions. We have highlighted the new and revised requirements only, and where the statutory and regulatory requirements are similar, we have noted the current regulatory language as well. All of the changes were effective upon enactment.

Entrance counseling

While a school still has the option of providing entrance counseling via electronic means — and indeed, ED encourages schools to use such interactive methods — now the school must also require the borrower to acknowledge receipt of the online information. Under the HEOA, a school now has the option to provide written counseling materials, either prior to or at the first disbursement of a loan, which the borrower must sign and return.

In addition to information currently required in regulations, the following new and revised information must be provided in Stafford and Grad PLUS entrance counseling:

- The effect of accepting the loan on eligibility for other forms of financial aid;
- An explanation of how interest accrues and is capitalized if it is not paid or subsidized;
- For unsubsidized Stafford loans and Grad PLUS loans, the borrower's option to pay interest rather than allowing it to capitalize;
- The school's definition of half-time enrollment during regular terms and — if applicable — summer terms;
- The consequences of not maintaining at least half-time enrollment;

- The importance of contacting the appropriate offices at the school if the borrower withdraws prior to completing his program of study, so the school can provide exit counseling;
- The borrower's obligation to repay the full amount of the loan, even if she does not complete her program within the regular completion time for that program (**Note:** Regulations also reference the borrower's obligation to repay even if she is unable to obtain employment upon completion or is otherwise dissatisfied with or does not receive the educational or other services that she expected.);
- The likely consequences of default, including delinquent debt collection procedures (**Note:** Regulations also reference adverse credit reports, federal offset, and litigation.);
- Information on the National Student Loan Data System (NSLDS) and how the borrower can access his records; and
- The name and contact information for the person the student can contact with questions about her rights and responsibilities or the terms and conditions of her loan.

The required information about sample monthly repayment amounts is also revised under the HEOA. Entrance counseling must now provide this information based on either:

- A range of levels of indebtedness of
 - Borrowers of subsidized or unsubsidized Stafford loans; and
 - As appropriate, graduate borrowers of unsubsidized Stafford loans or Grad PLUS loans;
- Or the average cumulative indebtedness of other borrowers in the same program as the borrower, at the same school

Previously, regulations required sample monthly repayment amounts based on a range of student indebtedness levels or the average indebtedness of unsubsidized or subsidized Stafford loan borrowers — or unsubsidized or subsidized Stafford and Grad PLUS loan borrowers, depending on the types of loans the student has borrowed — at the same school or in the same program of study at the same school.

Exit counseling

In addition to information currently required in regulations, the following new and revised information must be provided in Stafford, Grad PLUS, and Perkins exit counseling:

- Information on available repayment plans (already required under regulations), as well as a description of the different features of each plan;

- Sample information showing the average anticipated monthly payments under each repayment plan, including the difference in interest paid and total payments under each plan (**Note:** It is not clear if this requirement replaces or complements the current regulatory requirement for providing average anticipated monthly repayment amounts; schools may consider including both types of information until ED issues further guidance.);
- General descriptions of the terms and conditions for full or partial forgiveness or cancellation, deferment, or forbearance;
- A copy of a publication from ED — yet to be distributed — that will include extensive loan literacy and debt management information;
- The borrower’s option to prepay each loan, pay on a shorter schedule, and change repayment plans;
- The likely consequences of default, including delinquent debt collection procedures (**Note:** Regulations also reference adverse credit reports, federal offset, and litigation.);
- General description of the types of tax benefits that may be available to borrowers;
- The availability of NSLDS (already required in regulations) as well as how the borrower can use the system to obtain information on her loans; and
- The consequences of consolidating Title IV loans, including at least:
 - The effects on total interest and fees to be paid, and length of repayment;
 - The effects on underlying loan benefits, including grace periods, and forgiveness, cancellation, and deferment options;
 - The option to prepay the loan or change repayment plans; and
 - Variation in borrower benefit programs among different lenders.

In the real world

What does this mean for a school? If a school provides in-person or written counseling, it should incorporate the new requirements into its counseling materials as quickly as possible. If it has developed and uses its own electronic counseling system, it should begin making revisions to its online content. In the meantime, we recommend that those schools consider providing the new information via alternative means. If the school uses an electronic system maintained by a third-party, it should contact that provider to discuss the status of any updates. [Mapping Your Future](#)® is currently working to revise its Online Student Loan Counseling site.

For more information

We encourage readers to download the Integrated HEA, Title IV, at [TG Online](#) and review the new entrance and exit counseling requirements, which are located in sections 485(l) and 485(b), respectively. The corresponding regulatory requirements are found in 34 CFR 682.604(f) and 682.604(g). For questions, contact TG customer assistance at (800) 845-6267, or send an e-mail message to cust.assist@tgslc.org.

Periods of unavailability for processing Loan Participation Program funding requests

On September 3, ED released an Electronic Announcement (E-ANN) providing further guidance on the implementation of the loan purchase programs authorized by the Ensuring Continued Access to Student Loans Act (ECASLA).

E-ANN #24 alerts program participants of upcoming periods of unavailability for processing Loan Participation Program funding requests. While ED is committed to providing funding within seven business days — and has, in fact, averaged a 2-3 business day processing time so far — there are times when ED's payment processing system will be unavailable, and program participants should plan accordingly. ED will still be able to receive funding request packages during these periods, but cannot process the Loan Schedule file.

For more information

The E-ANN, including the dates of unavailability, is available online at <http://federalstudentaid.ed.gov/ffelp/library/EA24.doc>.

Updated integrated HEA Title IV available on *TG Online*

TG is pleased to announce the availability of an updated integrated Higher Education Act (HEA) Title IV document that incorporates changes from the Higher Education Opportunity Act (HEOA). The NCHelp Program Regulations Committee contributed to this resource.

To assist customers in using this resource, TG has combined the integrated HEA Title IV into one easy-to-use, searchable PDF that includes:

- Part A — Grants To Students In Attendance At Institutions Of Higher Education
- Part B — Federal Family Education Loan Program
- Part C — Federal Work-Study
- Part D — Federal Direct Loan Program
- Part E — Federal Perkins Loans
- Part F — Need Analysis

- Part G — General Provisions Relating To Student Assistance
- Part H — Program Integrity
- Part I — Competitive Loan Auction Pilot Program
- Part J — Strengthening Historically Black Colleges And Universities And Other Minority Serving Institutions

The PDF shows the language that has been stricken as well as language that has been added. Additionally, each part and section has been bookmarked for easy navigation.

Accessing the bookmarked integrated HEA

To access this practical tool, visit *TG Online* at www.tgslc.org/policy/hea.cfm.

More information

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

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 September 2008 *Closed School Monthly Report* supplied by ED.

Newly reported closures

OPE School ID	School Name and Address	Unofficial Closure Date	ED's Official Closure Date
03076200	Covenant Bible College 630 Westchester Rd., Strathmore Alberta, Canada T1P 1H8	N/A	05/06/07

TG updates

TG default aversion consultant Joe Braxton helps students stay on the right track to managing money

The path to smart money management starts early — in young adulthood, if not before. Yet many students come to college with only a rudimentary understanding of budgeting, spending, and credit. Once at college, they find themselves bombarded with credit card offers. The combination of low financial literacy and spending temptation can hamstring students financially. About 39 percent of student loan borrowers graduate with unmanageable levels of debt, according to the U.S. Public Interest Research Group (U.S. PIRG).

To help, more colleges and universities are turning to money management programs like TG's Positive+Balance™, a comprehensive workshop series that teaches students the basics of financial literacy as well as the skills to succeed in college and career. TG's default aversion counselor Joe Braxton has been a mainstay of the TG program and a veteran of many college workshops on financial literacy. He sees his job as one benefiting students, parents, and schools.



"Our country has long been a credit-based society," said Joe. "Through workshops like Positive+Balance, students learn to gain control of their finances, plan their spending, and eventually save. This kind of training can help students ensure their long-term financial health and also pay off debt, including student loans."

Opening up the dialogue

Positive+Balance offers a "safe" environment for students to open up about their financial behavior. College students new to managing money can be overwhelmed by the responsibility. If they don't know how to save, or if they've misspent their financial aid, they may feel embarrassed about asking for help, especially from parents.

For this reason, Joe sees the Positive+Balance workshop series as an "intervention" of sorts, helping students become aware of poor money habits and offering the opportunity to change them. In workshops like Money Management 101, for example, Joe focuses on the nuts and bolts of budgeting, obtaining credit, and planning for future purchases.

"The workshop aims to empower students so that they can handle daily and yearly money challenges," said Joe. "Managing more with less is a good example of why this training is relevant. Higher gas prices mean higher prices in general. It's important these students understand their options and can adjust to the new circumstances."

Personal rewards

Born and raised in Amarillo, Texas, Joe worked for six years in student financial aid offices prior to joining TG as a default aversion consultant. He enjoys his work partly because the college environment is always changing and partly because he has a genuine desire to help students.

"I went to college and I like giving back," said Joe. "I do not remember from my college experience anything like the workshops we offer students. I struggled to make my way, and I enjoy knowing that I can make a difference in a student's college career."

Joe focuses especially on first-generation students, who may come to school without a strong foundation in money management. "The hardest question I've had

to answer came from a young man, no older than 20 or 21, who wanted to create a budget," said Joe. "He wanted to spend just the bare minimum so that any left over could be sent home to help his mother."

Experiences like this continue to motivate Joe as well as the thank-yous and other rewards he receives in the course of training.

"Rewards come in different packages," said Joe. "Not long ago, I trained a medical student who started his education later in life. He attended a Money Management 101 class, looking for ways to balance medical school and his ongoing life. Recently, I received a thank-you card from him. In it, he said that he still had to work hard to make it, but that the Positive+Balance session had helped him through many a rough spot. He also said I was guaranteed an invitation to his graduation."

To learn more

To learn more about Positive+Balance, you can speak with your TG account executive at (800) 252-9743. Or you can direct questions to 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@tgslc.org. Joe Braxton may be reached at (800) 252-9743, ext. 4696, or by sending an e-mail message to joe.braxton@tgslc.org.

Trends and issues

Question of the week

Q.: If a student will graduate in December 2008, may he receive more than half of his annual Stafford loan limit in the fall term?

A.: Yes. As long as the student's cost of attendance supports it, there is no prohibition in the law or regulations against awarding a full annual loan limit in one term.

However, this student may be subject to proration. Keep in mind that Stafford annual loan limits must be prorated when an undergraduate student is enrolled in a remaining period of study that is shorter than a full academic year (see page 3-92 of the 2007-08 *Federal Student Aid Handbook*).

Do you have a question?

If you have a question that needs an answer, feel free to *Ask TG™*. *Ask TG* is TG's online query tool for borrowers, schools, and lenders. It includes a database of frequently asked questions about financial aid, student loan processing, and TG's products and services. To submit a question to *Ask TG*, visit tgslc.custhelp.com.

Common Manual

Common Manual Updates

On August 21, 2008, guarantor representatives who serve on the *Common Manual* Governing Board approved several changes to the *Common Manual*. Details on these changes and a newly updated Integrated *Common Manual* incorporating the changes are available online at

www.tgslc.org/policy/integrated_online_manual.cfm.

Failure to Begin Attendance and Return of Ineligible FFELP Funds

The July 2008 update of the *Common Manual* has been revised to clarify that if FFELP loan funds were delivered to, or on behalf of, a student who did not begin attendance in a loan period or payment period within the loan period, the borrower is ineligible for those funds. A student does not begin attendance if the school is unable to document the student's attendance in any class during a loan period or during a payment period within the loan period.

Revised policy clarifies that a borrower is ineligible for loan funds due to school error if a school knew, or should have known, before the school delivered loan proceeds to, or on behalf of, a student that the student would not begin attendance during a loan period or a payment period for which the loan funds were intended (e.g., the student notified the school that he or she would not attend or the school expelled the student). The school must repay those funds to the lender as soon as possible, but no later than 30 days after the date that the school becomes aware that the student will not or did not begin attendance.

A borrower is considered ineligible for FFELP loan funds due to borrower error if any of the following occur:

- The school delivered loan funds to, or on behalf of, an otherwise eligible student as early as 10 days prior to the beginning of a loan period, and the school later learned that the student did not begin attendance in the loan period.
- The school delivered loan funds to, or on behalf of, an otherwise eligible student as early as 10 days prior to a second or subsequent payment period in the loan period, and the school later learned that the student did not begin attendance in the second or subsequent payment period.
- The lender directly disbursed funds to a study-abroad or foreign school student and the student did not begin attendance in the loan period or payment period.

If the ineligible funds were the result of the borrower's error, the school must return to the lender all loan funds credited to the student's account at the school for the loan period or payment period, as applicable, that the student did not attend. The school must also return to the lender the amount of payments made directly by, or on behalf of, the student to the school for the loan period or payment period that the student did not attend, up to the total amount of the loan funds disbursed

to the school. A school must return to the lender those funds for which it is responsible as soon as possible, but no later than 30 days after the date that the school becomes aware that the student will not, or did not begin attendance.

The school is not responsible for returning funds that the school delivered directly to a borrower who received loan funds due to borrower error. Similarly, the school is not responsible for returning loan funds that a lender disbursed directly to a student enrolled in a foreign school or study-abroad program. In either case, upon learning that a student will not or did not begin attendance, the school must immediately notify the lender of the borrower's receipt of funds for which he or she was ineligible. A school should include in its notice to the lender the student's withdrawal date, if applicable.

The school's return of FFELP loan funds for which it is responsible is considered timely if the school does one of the following as soon as possible, but no later than 30 days after the date the school becomes aware that the student will not or has not begun attendance:

- Deposits or transfers the amount of funds to be returned into an account that the school maintains for federal funds.
- Initiates an electronic funds transfer (EFT) for the amount of returned funds.
- Initiates an electronic transaction that informs the lender to adjust the borrower's loan account for the amount of returned funds.
- Issues a check for the returned funds. In this case, the school's records must show that the lender's bank endorsed the check within 45 days after the date the school becomes aware that the student will not or has not begun attendance.

Affected Sections: 5.16 Ineligible Borrowers
5.16.A Ineligibility Based on Borrower Error
5.16.B Ineligibility Based on School Error
8.9.B Return of Ineligible Borrower Loan Funds

Effective Date: School determinations that a student did not begin attendance on or after July 1, 2008, unless implemented earlier by the school on or after November 1, 2007.

Basis: §668.21; §682.604(d)(3)(i); preamble to the *Federal Register* dated November 1, 2007, pp. 62017-62018.

Policy Information: 1041/Batch 150

Guarantor Comments: None.

Legislative update

The 110th Congress returned from recess on September 4, with final adjournment scheduled for September 26. The 111th Congress will convene on January 13,

2009, with as many as 50 new members of the House of Representatives and 10 new members of the Senate, as well as a new administration.

In the short time left to it, Congress may consider an extension of the Ensuring Continued Access to Student Loans Act (ECASLA) for another year. Passed earlier this year, ECASLA was intended to inject liquidity into the credit markets and to strengthen the lender-of-last-resort program. The legislation has been partially successful, but it was never meant as a permanent fix to the liquidity problem. The 111th Congress will consider two pieces of legislation that may offer a more long-term solution, including the Emergency Student Loan Market Liquidity Act and the Student Loan Access Act.

Learn more by reading the full *Legislative Report* on *TG Online* at www.tgslc.org/lege_report/2008/lr_080902.cfm.

This, that, and the other

The Chronicle of Higher Education recently published its first-ever survey on the best colleges to work for. Survey results are based on responses from more than 15,000 administrators, faculty members, and staff members at 89 colleges and universities. Respondents were asked to rank 70 statements on a five-point scale. Topics included the healthiness of faculty and administrative relations; professional career development programs; compensation and benefits; and general job satisfaction, among other things.

If you want to know which colleges provide a healthy work-life balance or which schools have effective internal communications, refer to the *Chronicle's* survey at http://chronicle.com/weekly/v54/i45/great_colleges_tables.htm.

Note that *The Chronicle of Higher Education* requires a paid subscription to review some content.



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