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## Tip of the Week

For many students, getting an undergraduate degree is not the end but a midpoint in their education. TG's *Adventures In Education* offers help in preparing for various graduate and professional exams. If your students have questions about the GRE, GMAT, LSAT, or MCAT, direct them online to [www.aie.org/College/Planning/tests.cfm](http://www.aie.org/College/Planning/tests.cfm).

## Federal updates

### Role of the lender and servicer in optimizing repayment success

Ensuring a borrower's successful transition from in-school status to grace to repayment is best approached as a collaborative effort among the school, lender, servicer, and guarantor. As we approach the month of December and the upcoming wave of mid-year graduates, it is important to consider the many parties involved in this process and their respective roles and responsibilities.

The school assists by providing loan counseling and serves, for many borrowers, as a familiar and knowledgeable resource for the myriad questions that arise as the

borrower nears graduation. The guarantor provides default aversion and delinquency prevention services, as well as financial literacy and debt management information. The lender and servicer play a pivotal role in guiding the borrower through the sometimes perplexing process of loan repayment.

A common area of confusion for borrowers entering repayment is identifying the loan holder and its contact information, especially if loans have been assigned, sold, or transferred. According to 34 CFR 682.208(e), if a loan is in a grace or repayment status, a borrower must be notified if the loan is assigned, sold, or transferred and the transaction causes a change in the party to whom the borrower must send future payments and communications. Additionally, the Higher Education Opportunity Act of 2008 requires that in such circumstances, both lenders must notify the borrower of the effective date of the sale or other transfer, the date the current servicer will stop accepting payments, and the date the new servicer will begin accepting payments (HEA 428(b)(2)(F)(i)).

Remember that a lender is not permitted to assign, sell, or transfer a loan before it is fully disbursed, if doing so would change the identity of the party to whom borrower payments are to be made (34 CFR 682.401(b)(17)(i) and (iii)).

### **Making a difference**

Through the collaborative efforts of the financial aid community, student loan defaults have fallen significantly from the fiscal year 1990 cohort default rate of 22.4 percent to the 2006 cohort default rate of 5.2 percent (see ED's National Student Loan Default Rates graph at [www.ed.gov/offices/OSFAP/defaultmanagement/defaultrates.html](http://www.ed.gov/offices/OSFAP/defaultmanagement/defaultrates.html).) Working together, we can continue to assist students in making the best choices in repaying the investment in education they have made.

### **For more information**

Detailed information about loan assignments, sales, and transfers may be found in the *Common Manual*, Subsection 3.4.B. To learn more about TG's default aversion and default prevention services available, visit *TG Online* at [www.tgslc.org/default/index.cfm](http://www.tgslc.org/default/index.cfm).

## **Final rules 101: Income-based repayment, Part 1**

With this issue, we resurrect a series first begun in 2007 with the release of the November 1, 2007, final rules — except this time around, we will focus on regulations published by ED in the October 23, 2008, *Federal Register* (see *Shoptalk Online* edition [478](#)).

By now, many in the financial aid community have at least heard the term “income-based repayment” (IBR) mentioned at a training session or staff meeting, or have read about it in a previous *Shoptalk Online* article. Many of us also know that the program will benefit certain borrowers by minimizing monthly payments and by providing loan forgiveness in some cases. But for various reasons — including the

lengthy negotiated rulemaking process resulting in uncertainty as to the practical workings of the program, and the delayed effective date — there has been scant coverage of the “nuts and bolts” of the program.

Now that we have final regulations, we hope to provide clear and understandable information on the fundamentals of IBR to our customers. This article will focus on borrower eligibility and definitions, the repayment and forgiveness process, and information dissemination. In a future article, we will cover how interest and special allowance will be calculated in IBR, and how the loans in this repayment plan will be tracked.

### **Borrower eligibility and definitions**

IBR was introduced in the College Cost Reduction and Access Act of 2007 (CCRAA), and will be available to both FFELP and Direct Loan (DL) borrowers beginning July 1, 2009. IBR is available for Stafford, Grad PLUS, SLS (Supplemental Loan for Students, eliminated in 1994), and Consolidation loans, as long as the Consolidation loan does not include a parent PLUS loan. Parent PLUS loans and any type of non-federal student loans do not qualify for IBR.

IBR is intended to provide repayment relief to borrowers experiencing “partial financial hardship” (PFH). There are various calculations used to determine a borrower’s required payment amount, but PFH is determined by the lender under a standardized formula prescribed in the final rules, based upon the borrower’s family size and adjusted gross income (AGI).

IBR presents unique considerations in the evaluation of AGI and family size. For example, for a married borrower who files a joint tax return, the income of both spouses is considered in determining the payment amount. However, for a borrower who files “married filing separately,” only the income of the borrower is taken into account in calculating the payment amount. The criteria for determining family size have been closely aligned with those used for FAFSA purposes: It includes the borrower, the borrower’s spouse, and the borrower’s children and unborn children if they receive more than half of their support from the borrower. Family size also includes other individuals who live with the borrower, receive more than half their support from the borrower, and will continue to receive this support for the year the borrower certifies family size. Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, and payment of college costs.

PFH occurs when the annual payment amount for all of the borrower’s eligible loans (as calculated under a standard 10-year repayment plan) exceeds 15 percent of the difference between the borrower’s AGI and 150 percent of the poverty guideline for the borrower’s family size. To initially qualify for IBR, the borrower must fall within the PFH calculation.

#### **Example 1:**

An unmarried borrower with \$46,000 in eligible loan debt at a 6.8 percent interest rate, an AGI of \$20,000, and no dependents would likely qualify for IBR with a

monthly payment of approximately \$60. Under a standard 10-year repayment plan, that same borrower would have a monthly payment of approximately \$530.00.

### **Example 2:**

A married borrower with \$23,000 in eligible loan debt at a 6.0 percent interest rate, an AGI of \$25,000 (with no spousal income), and two dependents would also likely qualify for IBR. This borrower's monthly payment amount is estimated at \$0 (more on \$0 payments later). Under a standard, 10-year repayment plan, the monthly payment amount would be about \$255.00.

The lender must re-evaluate the borrower's eligibility for IBR and recalculate the monthly payment amount on an annual basis. In order to fulfill this requirement, the borrower must provide permission for the IRS to disclose his or her AGI and "other tax return information" to the lender, and must also certify his or her family size on an annual basis. It's important to note, though, that even if a borrower no longer meets the PFH criteria, he or she can elect to remain in IBR.

### **Repayment and forgiveness**

The repayment term under IBR can exceed 10 years regardless of the amount of the borrower's loan debt. After 25 years (or 300 payments) in IBR, any remaining balance and accrued interest will be forgiven. As demonstrated in Example 2 above, the monthly payment amount could be \$0 — and even those \$0 "payments" count toward the required 300 payments. However, payments made while a borrower is in default or during the loan rehabilitation process will not count; nor will payments made prior to July 1, 2009, or payments that are less than the monthly required payment.

### **Information dissemination**

How will the borrower be informed of the option to request IBR? At the school level, general information about all repayment plans, including IBR, must be included in exit counseling. The lender is also required to notify the borrower of the availability of IBR at various points during the life of the loan, either through separate notices or via existing disclosures (for example, on the Master Promissory Note). This notice will inform the borrower of eligibility requirements for IBR, including obtaining a Consolidation loan; the process for choosing IBR; and where and how the borrower can obtain additional information about IBR.

### **More information**

The final rules regarding IBR are located in 34 CFR 682.215. An integrated version of the regulations is available from *TG Online* at [www.tgslc.org/policy/intreg.cfm](http://www.tgslc.org/policy/intreg.cfm). If you have questions about IBR, please contact TG customer assistance at (800) 845-6267, or send an e-mail message to [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

## **TG updates**

## **TG to host webinar on developing financial literacy initiatives**

TG is hosting a free webinar for schools seeking financial literacy information and resources. The webinar, titled “Building a Successful Financial Literacy Program,” will be presented on Thursday, December 11, from 3 p.m. to 4 p.m. (CST). Participants will learn tips and strategies for developing and implementing campus financial literacy initiatives. They’ll also have the opportunity to hear about TG’s financial literacy tools and solutions.

More than ever, students need strong financial literacy skills to succeed during and after college. Average student loan debt has doubled over the past decade, and the majority of students now graduate with thousands of dollars of additional debt from credit cards.

Unfortunately, many students aren’t learning important money management skills before they arrive on campus. As a result, colleges and universities have started providing financial literacy programs to meet the needs of those students.

### **Webinar speakers**

Representatives from two higher-learning institutions will be on hand to share their experience and expertise in leading campus financial literacy initiatives. Speakers include:

- Jimmie Wilder, associate director of financial aid, San Francisco State University
- Diana Chow, supervisor of university loans and collections, fiscal services, San Francisco State University
- William Spiers, director of financial aid, Tallahassee Community College

### **To register**

To participate in the webinar, register through *TG Online* at [www.tgslc.org/training/webinars/webinars0812](http://www.tgslc.org/training/webinars/webinars0812).

### **Questions?**

For questions regarding the upcoming webinar, contact Margie Harvey, TG’s financial literacy program manager, at (800) 252-9743, ext. 4859, or send an e-mail message to [margery.harvey@tgslc.org](mailto:margery.harvey@tgslc.org).

## **Lender solutions: TG's List Assist<sup>SM</sup> adds efficiency to RFI process for lenders**

A recommended or suggested lender list can be a valuable resource to students making one of the most important choices in financing a higher education — choosing a lender. To create a list, schools and lenders generally share information through surveys, or Requests for Information (RFI). In late October, TG made

available a new electronic tool for simplifying that process and for making communicating and managing surveys easier for both schools and lenders — List Assist<sup>SM</sup>.

Offered at no cost to schools and lenders, List Assist helps schools gather and compare data in a completely paperless way. For lenders, it offers a convenient system for responding to surveys and downloading responses for reuse in other RFIs. Survey responses can be viewed up to 60 days after the end of the survey period.

Registered lender users will find List Assist especially useful as a tool for tracking and managing survey requests from multiple schools. List Assist offers a consolidated overview of pending surveys for these users. However, users not registered with TG can respond to all surveys, though they view and complete surveys one at a time.

Lenders can easily divide up the task of completing a List Assist survey. They simply forward the survey e-mail to various staff members, including those who specialize in loan offerings and lender programs, such as default management strategies.

### **Relevance and timeliness**

TG designed List Assist to help save time for schools and lenders. For example, List Assist offers a library of over 100 assessment questions vetted by industry professionals, which schools can use to quickly create survey content. Questions are beneficial to lenders as well since content focuses on subjects relevant and timely for both lenders and schools, such as customer service.

To produce the library, TG presented a list of lender survey questions to industry colleagues, including lender focus groups, gathering and incorporating feedback. At the same time, various TG teams worked to make questions easy to interpret and to ensure the measurability of results.

The List Assist library offers a "living list" of questions. TG can review the library and make changes to content in "real time," rather than waiting for the next product release. Lenders will appreciate this feature since List Assist surveys come with a feedback link for providing suggestions for new or revised content.

### **Using List Assist**

TG encourages interested lenders to review the list of questions in advance of receiving and processing a survey sent through List Assist. If you'd like to review the list of questions, contact TG's lender relationships team at [lenderrequests@tgsic.org](mailto:lenderrequests@tgsic.org).

## More about List Assist

To learn more about List Assist, view an online demo of the product. Visit *TG Online* at [www.tgslc.org/products/index.cfm](http://www.tgslc.org/products/index.cfm) and click "TG List Assist Demo" in the right column.

## Mark your calendar for the 2009 TG Annual Training Conference

TG has scheduled the 2009 TG Annual Training Conference, its three-day workshop on regulatory developments and industry issues, for April 22-24 at the Renaissance Hotel in northwest Austin.

TG works to provide a well-rounded menu of training options for the conference. Effective regulatory training is a particular focus of the event. Watch for details about the TG Annual Training Conference in upcoming issues of *Shoptalk Online*.

## Training watch: TG to offer lender workshops on TG products and services

TG will present two day-long Lender Workshops designed to give lenders a close-up view of TG's products and services, including assorted financial literacy tools and default management strategies. These workshops serve as a forum for discussing TG's many services, which lenders can use to enhance their own offerings to schools. They also offer opportunities for answering questions and conducting a dialogue on product issues important to lenders.

### Workshop dates and places

- December 11, 2008: Chicago, Illinois, Hampton Inn O'Hare
- January 29, 2009: Austin, Texas, TG Campus

### Workshop content

Agendas for the Lender Workshops cover a variety of issues including:

- **TG update:** Learn the latest news about TG product developments. Attendees at the Chicago event will also hear about TG's Illinois market growth in FY 2008.
- **TG product offerings:** This session introduces TG's new online lender survey tool, List Assist, and provides an overview of TG's other lender-facing products and services.
- **Financial literacy/default management strategies:** Find out more about TG's varied set of financial literacy tools, including interactive and multimedia Web pages, for educating students about credit, debt management, monthly budgeting, and much more.

## To register

To attend TG's upcoming Lender Workshops, register through *TG Online* at [www.tgslc.org/training/lender/register.cfm](http://www.tgslc.org/training/lender/register.cfm).

## Notice of scheduled power outage: TG applications and facility will be off-line this Sunday

TG customers should be aware that TG will experience a total building power shutdown this Sunday, November 23, 2008, from 7 a.m. to 10 p.m.

TG's facility and all TG applications, including AdvanTG Web™, *TG Online*, and *Adventures In Education*, will be unavailable during this period. Also, telephone service and access to the voice mail of team members will be down.

## More information

For questions about the scheduled outage, contact TG customer assistance at (800) 845-6267, or send an e-mail message to [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

## TG's hours for Thanksgiving holiday

TG offices will be closing at noon on Wednesday, November 26, and will remain closed for the remainder of the week. The TG team will be back to serve you on Monday, December 1. In observance of the holiday, *Shoptalk Online* will take a short hiatus also. The next edition of *Shoptalk Online* will be available December 2.

Happy Thanksgiving from all of us at TG!

## Legislative update

The November 4 election has changed the political landscape in which the FFELP will operate for the next two years. With the election, Democrats have increased their majority in both Houses of Congress as well as taking the White House. The overriding issue for the 111th Congress will be the impact of a growing national debt and a record annual budget deficit on a myriad of issues, including the economy, fiscal policy, employment, and more. This issue alone will cause policy considerations to be driven by the annual budget debate, probably beyond the 111th Congress. Learn more about the latest legislative developments by reading the full report on *TG Online* at [www.tgslc.org/lege\\_report/2008/lr\\_081114.cfm](http://www.tgslc.org/lege_report/2008/lr_081114.cfm).

## This, that, and the other

The U.S. Census Bureau reports that higher levels of education are closely associated with higher average earnings for workers aged 25 to 64. TG offers a poster, called "Learn more. You'll earn more!," illustrating the 2007 median income by educational attainment. The poster displays a dollar bill graph that compares the average annual earnings for workers with different levels of education. For instance,

a person with a bachelor's degree earns \$18,950 more per year than a person with only a high school diploma.

To order the poster for your financial aid office, visit *TG Online* at [www.tgslc.org/order/index.cfm](http://www.tgslc.org/order/index.cfm).



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