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Tip of the Week

Many prospective college students are already considering their expenses for next year. Help them budget wisely with an online budget worksheet available through *Adventures In Education* at www.aie.org/Calculators/budgetworksheetinschool.cfm.

Federal updates

Income-Based Repayment: What lenders and servicers need to know

As the implementation date for the new Income-Based Repayment plan (IBR) draws near, TG wants to ensure that our customers understand the key components of the plan and are prepared to administer it beginning July 1, 2009. In this article we will discuss the fundamentals of IBR, examine how a lender or servicer can incorporate IBR into its processes, and address common questions about the treatment of interest capitalization, interest subsidies, and special allowance payments (SAP) in IBR.

IBR basics

IBR is a new repayment plan available to eligible FFELP and DL borrowers, as of July 1, 2009, that bases the borrower's monthly payment amount on his or her

income, family size, and outstanding balance on eligible loans. There is no “triggering event” associated with IBR; borrowers just entering repayment or currently in repayment may request IBR beginning on July 1.

For the purpose of IBR, eligible loan types include subsidized and unsubsidized Stafford loans, SLS, Grad PLUS, and Consolidation loans that include loans other than parent PLUS (for example, Stafford, SLS, Perkins, HPSL, HEAL, FISL). IBR is not available for parent PLUS loans, Consolidation loans that include a parent PLUS loan, or defaulted loans.

The borrower must have a partial financial hardship (PFH) in order to initially qualify for IBR. PFH occurs when the annual, aggregate amount due on all of a borrower’s eligible FFELP and DL loans — as calculated under a standard repayment plan based on a 10-year repayment period at the time the borrower initially entered repayment — exceeds 15 percent of the difference between the borrower’s adjusted gross income and 150 percent of the poverty line for the borrower’s family size. The borrower’s eligibility must be re-evaluated each year, and the minimum required monthly payment may be adjusted as a result.

Good news for borrowers

IBR offers a new tool for assisting the lender and borrower in working together to address the borrower’s repayment difficulties. While it is not a panacea, IBR can provide a lifeline to financially challenged borrowers by taking into account their unique circumstances in establishing monthly payment amounts. This flexibility provides important relief for those borrowers for whom other repayment options are infeasible.

Combating increases in cohort default rates

The current economic climate, the upcoming transition from 2- to 3-year cohort default rates (CDRs), and rising student loan debt levels will undoubtedly contribute to a rise in future CDRs. By making financially challenged borrowers aware of IBR as a new repayment option to address the borrower’s underlying financial distress, IBR can be another important tool for minimizing defaults, both in the short-term, as measured by CDRs, and over the life of the loan.

Keeping loans in the conduit

A lender participating in the Asset-Backed Commercial Paper (ABCP) Conduit Program authorized by the Ensuring Continued Access to Student Loans Act (ECASLA) will find IBR to be a useful tool in leveraging the full potential of the conduit. Generally, FFELP loans in the conduit program remain with the lender, servicer, and guarantor, but conduit loans are required to be Put to ED if they become at least 210 days delinquent and the delinquency is not successfully addressed before the loan reaches 240 days of delinquency. Lenders may also elect to remove such loans from the conduit program when they reach 210 days of delinquency, to retain the opportunity to work with those borrowers and their guarantors to ensure successful repayment of those loans.

Since many current default prevention activities are driven by the 270-day default timeline, lenders, servicers, and guarantors must be proactive and persistent in identifying at-risk loans within the conduit program. Deferment and forbearance remain beneficial options for assisting certain borrowers; for example, those who do not qualify for IBR, or those who are experiencing only a temporary financial hardship. But for many borrowers, IBR may provide a more appropriate solution to delinquency challenges, thus positively influencing the lender's ability to retain the conduit loans and the associated servicing rights.

Integrating IBR into your operations

Under IBR, interest must be capitalized when the borrower leaves PFH voluntarily or no longer has a PFH, or when the borrower leaves IBR to enter an Expedited-Standard payment plan. If a borrower alternates between a PFH and Permanent-Standard payment plan within IBR, unpaid interest must be capitalized each time the borrower no longer has a PFH. (See NCHELP's "IBR Implementation Guide," referenced below, for an explanation of the various payment plan calculations that can occur within IBR.)

During periods of PFH, lenders can bill ED for SAP not only on the average daily principal balance, but on the average daily balance of unpaid accrued interest as well. When paying SAP on the average daily accrued interest, ED will use the same formula applicable to the loan itself, but with an interest rate of 0 percent.

ED will pay the calculated unpaid accrued interest on subsidized Stafford loans or the subsidized portion of the borrower's Consolidation loan for up to three years from the established repayment period start date on each loan repaid under the IBR plan. The subsidy is paid regardless of the borrower's monthly payment amount.

Also, note that administrative forbearance is authorized to resolve any delinquency prior to the granting of a new repayment plan, including IBR. More information on this, as well as other vital operational guidance, is available in NCHELP's IBR Implementation Guide.

Requesting IBR

A borrower may request IBR by completing an IBR request form and submitting income information to the lender. Although ED has not yet provided official IBR request forms, the NCHELP IBR Workgroup has submitted draft versions of an IBR Request form and an Alternative Documentation of Income form to ED for approval. Comments on the NCHELP draft forms are expected from ED in June. At that time, the IBR Workgroup will finalize the forms based on the comments from ED for industry use as a "good faith effort" until the official forms are approved and distributed.

More information

The *NCHELP IBR Implementation Guide* may be downloaded from <http://www.nchelp.org/pages/page.cfm?id=143>. NCHELP has developed a series of

general as well as focused training sessions on IBR. Recordings of these sessions are available free of charge at www.nchelp.org/elibrary/index.cfm?parent=1985.

Income-Based Repayment: Revised claim requirements

Effective July 1, 2009, TG claims must begin collecting new data elements in order to facilitate implementation of the new Income-Based Repayment (IBR) provisions. Members of the Default Aversion and Claims Standardization (DACS) subcommittee of the NCHelp Program Operations committee have revised the Claim Form as well as CAM Record type 54 to capture this information. The new data elements are required for all claims, with the exception of CS, DE, FC, or ID, submitted on or after July 1.

The new [Claim Form](#) reflects a new Section X which includes seven fields and their respective definitions: Loan ID, Standard-Standard Amount, Permanent-Standard Amount, 25-Year Forgiveness Begin Date, Number of Qualifying Forgiveness Months, IBR Start Date, and Number of Days in Economic Hardship Deferment.

Also, for the purpose of electronic CAM claim submissions, corresponding loan-level data fields have been added to a "filler" field, formerly field 27, in CAM Record type 54. The Standard-Standard payment amount must be provided for all loans claimed (regardless of a borrower's entrance into an IBR payment plan) but the other new fields must be provided if available. Requisite changes are currently in process for Figure 13-1 of the *Common Manual* (information to be provided on the Claim Form) and are tentatively scheduled for publication in September.

For claim submitters who are unable to make system revisions to capture this information prior to July 1, the DACS subcommittee has also developed a stand-alone form titled [Income-Based Repayment Data](#) for this purpose. It may be submitted with either the paper Claim Form or CAM submittal records. Every effort should be made, however, to include the new data elements with regular claim submittals no later than December 31, 2009.

Questions?

For questions concerning the IBR data elements, please contact TG's assistant vice president of claims Ron Stroud at (800) 252-9743, or send an e-mail message to ron.stroud@tgsic.org.

TG updates

TG offers online resources, including calculator tool, for Income-Based Repayment

On July 1, the new student loan repayment plan, Income-Based Repayment (IBR), will become available to qualifying FFELP and Direct Loan borrowers. IBR is one option among several repayment plan alternatives that may help borrowers by

minimizing monthly payments and, in certain cases, even providing loan forgiveness.

Educating borrowers about IBR is important given its potential benefits. With a challenging economy and changing job markets, graduating students may need a more flexible repayment plan that matches their earnings. For borrowers who meet certain eligibility requirements of income, family size, and outstanding federal student loan balance, IBR may be the right plan that allows them to make payments and meet other financial obligations at the same time.

Schools and lenders can play an important part in educating borrowers about IBR by supplying information during exit counseling or directing borrowers to Web sites that provide comprehensive information. TG offers just such a Web site through *TG Online* as well as a calculator tool to help borrowers in determining eligibility and estimating monthly payments under IBR.

New *TG Online* pages on IBR

TG provides a convenient resource for learning more about IBR through *TG Online*. TG's Income-Based Repayment page defines IBR, describes who may be eligible, and answers various questions that borrowers may have about the plan. The IBR page adds one more tool to *TG Online's* Managing Repayment area for borrowers. Managing Repayment offers borrowers helpful information on repayment, including a comparison of repayment plans. The comparison table, which includes IBR information, shows what borrowers can expect for an estimated monthly payment given various repayment amounts.

Visit TG's IBR page at www.tgslc.org/borrowers/repay/ibr.cfm.

IBR calculator

TG also provides a simple calculator tool for helping to determine whether a borrower qualifies for IBR and estimating a monthly payment based on such factors as income, total federal student loan debt, and family size. Note that the calculator is provided for estimation of IBR eligibility purposes only. Specific details about eligibility and payments will be determined by a lender or servicer during the IBR application process.

Visit TG's *Adventures In Education* Web site at

<http://www.aie.org/Calculators/IBR/index.cfm> to access the calculator.

Income-Based Repayment (IBR) Calculator

If you qualify for Income-Based Repayment (IBR), your income, your total federal student loan debt, and the size of your family are all factors that will determine your monthly student loan payment amount. This calculator helps you determine if you may be eligible for IBR, and it estimates your monthly payment amount if it appears that you do qualify for IBR.

I. Family size¹

Are you married? No Yes

How many people other than you and your spouse are in your family?

II. Income²

What was your Adjusted Gross Income (AGI) as reported on last year's federal income tax return (if you are married and filed a joint tax return, include your spouse's income)? If unknown, estimate your annual pre-tax earnings. \$

III. Federal student loan debt³

What was your total amount of federal student loan debt when you entered repayment? [look up on myTG](#) \$

If your spouse has federal student loan debt, and you filed a joint tax return, what was your spouse's total debt when he or she entered repayment? \$

To learn more

For questions about IBR, NCHelp has developed a series of general as well as focused training sessions. Recordings of these sessions are available free of charge at www.nchelp.org/elibrary/index.cfm?parent=1985.

TG to introduce new Web-based lender tool for reporting disbursements

TG is adding more convenience to its disbursement reporting process, converting its paper-based system to a Web-based tool. In July, TG will roll out the electronic Lender Disbursement Reporting (LDR). LDR will replace TG's monthly paper report for unreported disbursements. The last such paper report will be mailed in mid-July.

Benefits to customers

LDR will help reduce reporting time and simplify the reporting process for those lenders that do not use Common Account Maintenance (CAM) reporting.

Among other things, the tool also:

- Provides a secure method of retrieving and updating disbursement information.
- Saves time. Records displayed as unreported are updated nightly regardless of how the update was received, i.e., via CAM, by TG update, or through LDR.
- Offers a simple, user-friendly Web interface that allows users to:
 - Limit results by selecting specific criteria with sort options by SSN or last name
 - Cancel disbursements
 - Cancel undisbursed loans
 - Reduce and report actual disbursement amounts
 - Change and report actual disbursement dates
- Enhances data management with new reports, including:
 - Unreported disbursement detail report
 - Unreported disbursement summary report
 - Lender disbursement received results report

Webinar

To help users incorporate the LDR tool in any loan processing and reconciliation process, TG has scheduled several webinars.

- Monday, June 29, 2 p.m.–3 p.m., Central Time

- Wednesday, July 1, 10 a.m.–11 a.m., Central Time (repeat session)

To participate in one of these webinars, register at www.tgslc.org/training/webinars/register.cfm.

To learn more

If you have questions about the new LDR tool, please contact TG's product support group at (800) 332-1455, or send an e-mail message to product.support@tgslc.org.

Join TG at upcoming financial literacy symposium

TG is hosting several symposiums this summer that focus on developing and implementing on-campus financial literacy programs. The first symposium will be held in Houston, Texas.

Mark your calendar

The Houston symposium will be offered on Monday, June 29, 9:30 a.m.–3:30 p.m., Central Time, at the Embassy Suites Hotel near the Galleria.

The symposium will help generate ideas and tips that professionals can use to develop a financial literacy program best-suited for their campus and students. Among other things, attendees will discuss developing financial literacy initiatives and improving successful financial literacy programs.

To register

For more information about TG's 2009 Financial Literacy Symposiums, or to register to attend the Houston event, visit *TG Online* at www.tgslc.org/training/literacy.

For questions

To learn more about TG's upcoming symposiums, contact TG's financial literacy program manager Margie Harvey at (800) 252-9743, or send an e-mail message to margery.harvey@tgslc.org.

TG product training recordings now available

If you were unable to participate in the recent product webinars for spring enhancements to AdvanTG Web™ and TG Loans By Web™, TG offers the next best thing: an audio-visual recording of the event.

TG has placed recordings of the product enhancement webinars online. These recordings contain the audio and visual portions of the presentations. You can rewind, pause, and fast forward the recordings for easy viewing and listening. The recordings, as well as webinar presentation materials, are now accessible from *TG Online* at www.tgslc.org/training/webinars/webinars0904.cfm.

Enhancement information

To learn more about the enhancements that the webinar featured, review previous *Shoptalk Online* articles, including edition [495](#), edition [496](#), and edition [497](#).

For help

For questions about AdvanTG Web or TG Loans by Web, please contact TG's product support team at (800) 332-1455, or send an e-mail message to product.support@tgsic.org.

Correction to article on variable interest rates

In last week's *Shoptalk Online*, the article titled "Variable interest rates drop again" incorrectly listed the interest rate for Stafford loans during repayment and forbearance, effective July 1, 2009.

On July 1, 2009, interest rates on Stafford loans during repayment and forbearance will be 2.48 percent.

This, that, and the other

The National Center for Education Statistics (NCES) recently posted the 34th annual "Condition of Education" report for 2009. The report highlights the persisting college access gap between whites and minority students. The report also detailed financial aid awarded by different types of institutions and the work habits of today's students.

The report found that 73 percent of undergraduates participated in some type of financial aid program, including federal, state/local, and institutional grants, and student loans, according to the report. The percentage of undergraduates receiving financial aid was 85 percent at private non-profit institutions; 70 percent at public institutions; and 69 percent at for-profit institutions.

In terms of work hours, the percentage of full time college students (16-24 years old) working has increased from 34 to 52 percent between 1970 and 2000. That percentage has fluctuated between 46 and 69 percent between 2001 and 2007.

The number of hours worked per week has also increased. The percentage of students working at least 20 hours per week increased between 1970 and 2000 and then remained relatively steady through 2007.

Learn more about findings from the report at <http://nces.ed.gov/pubs2009/2009081.pdf>.



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