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Offer your incoming and returning students some help in planning their semester budget with this [online budget worksheet](#) from TG’s *Adventures In Education*.

Industry Update

ED’s release of trial, three-year cohort default rate data prompts more questions

On December 14, ED posted trial, [three-year cohort default rates](#) (CDRs) on its Federal Student Aid Data Center Web site at www.FSADataCenter.ed.gov. As discussed in a previous *Shoptalk* article (see edition 532), ED released this information to assist schools in preparing for the transition to the three-year CDR provisions that were established by the Higher Education Opportunity Act of 2008 (HEOA). The *Shoptalk* article noted that the trial, three-year rates were provided for information only and that no benefits or sanctions would apply to these trial rates. But what exactly are the CDR thresholds that trigger these benefits or sanctions?

This article provides an overview of the CDR process, describes the thresholds for a school to be subject to benefits and sanctions, and outlines the specific benefits or sanctions applicable to a school in each situation.

Overview of the CDR process

As a quick recap of the CDR process, ED sends each school its “draft,” or unofficial, CDR via e-mail in February of each year. This draft rate is ED’s initial calculation and is released only to the school and not the general public.

The official rates are released to schools in September of each year and are also made available to the general public at that time. The official rate is used to determine if a school has triggered a benefit (based on a low CDR) or sanction (based on a high CDR).

CDR thresholds

For the following discourse, review the chart that follows for a quick reference of fiscal years (FY), cohort windows (aka the CDR calculation’s denominator and numerator), official CDR publication dates, and the CDR used for school benefits and sanctions.

Fiscal year (FY)	Denominator (enter repayment)	Numerator (in default)	Official CDR publication dates	CDR used for school benefits/sanctions
2007	10/01/06 – 9/30/2007	2-yr: 10/01/06 – 09/30/08	2-yr: Sept 2009	2-yr rate (10% / 25%)
2008	10/01/07 – 09/30/08	2-yr: 10/01/07 – 09/30/09	2-yr: Sept 2010	2-yr rate (10% / 25%)
2009	10/01/08 – 09/30/09	2-yr: 10/01/08 – 09/30/10 3-yr: 10/01/08 – 09/30/11	2-yr: Sept 2011 3-yr: Sept 2012	2-yr rate (15% / 25%) 3-yr rate (15% / 30%)

Fiscal year (FY)	Denominator (enter repayment)	Numerator (in default)	Official CDR publication dates	CDR used for school benefits/sanctions
2010	10/01/09 – 09/30/10	2-yr: 10/01/09 – 09/30/11 3-yr: 10/01/09 – 09/30/12	2-yr: Sept 2012 3-yr: Sept 2013	2-yr rate (15% / 25%) 3-yr rate (15% / 30%)
2011	10/01/10 – 09/30/11	2-yr: 10/01/10 – 09/30/12 3-yr: 10/01/10 – 09/30/13	2-yr: Sept 2013 3-yr: Sept 2014	2-yr rate (15% / 25%) 3-yr rate (15% / 30%)
2012	10/01/11 – 09/30/12	3-yr: 10/01/11 – 09/30/14	3-yr: Sept 2015	3-yr rate (15% / 30%)

Benefits of a low CDR

A school may be exempt from some requirements given a low CDR. Currently, if a school's three most-recent, two-year CDRs are less than 10 percent, the school:

- may deliver Federal Family Education Loan Program (FFELP) or Federal Direct Loan Program (FDLP) Stafford or PLUS loans in a single disbursement (if the enrollment period is no longer than one semester, trimester, or quarter; or if the enrollment period is no longer than four months, as with nonterm-based schools or schools with non-standard terms); and
- is not required to delay for 30 days the first disbursements of FFELP or FDLP Stafford loans made to first-year, first-time, undergraduate borrowers.

This threshold increases from 10 percent to 15 percent in the transition to the new CDR provisions. This means that, if a school's three, most-recent, two- or three-year CDRs are less than 15 percent, the school is exempt from the multiple disbursement requirement and the required 30-day delay for first-year, first-time undergraduate borrowers. This rule applies to FFELP and FDLP loans with first disbursements on or after October 1, 2011.

Remember that ED publishes official rates in September. Because the exemptions apply to "loans with first disbursements on or after October 1, 2011," the earliest CDRs on which these benefits, or exemptions, could be based are the school's FY 2007, 2008, and 2009 two-year CDRs. Accordingly, the earliest three-year CDRs on which these exemptions could be based are the school's FY 2009, 2010, and 2011 three-year CDRs. The third, official, three-year CDR (for FY 2011) will be published in September 2014.

Also, a school that is an eligible home institution certifying a FFELP or FDLP loan to cover a student's cost of attendance in a study-abroad program is exempt from the multiple disbursement requirement and the 30-day delay for first-year, first-time undergraduate borrower, if the school's single most-recent two- or three-year CDR is less than 5 percent.

Consequences of higher CDRs

Currently, for two-year rates, provisional certification is triggered by just a single rate of 25 percent or greater. However, beginning with the release of the third three-year CDR in 2014, any time two of a school's three most-recent three-year rates equal or exceed 30 percent, the school may be placed on provisional certification. Again, this could happen as early as 2014, based on the school's FY 2009, 2010, and/or 2011 three-year CDRs.

A more dire consequence is loss of eligibility to participate in Title IV aid programs. Currently, FFELP and FDLP eligibility loss is triggered by a single CDR over 40 percent, or three consecutive CDRs of 25 percent or greater. The one-year, 40 percent threshold does not change with the implementation of the three-year CDRs.

Effective with the third three-year CDR (for FY 2011, published in 2014), any time a school's three most-recent three-year CDRs equal or exceed 30 percent (increased from the current 25 percent), the school will lose eligibility to participate not only in FFELP and FDLP, but also in the Pell Grant program. This sanction could be applied as early as 2014, based on the school's FY 2009, 2010, and 2011 three-year CDRs.

The HEOA established some additional consequences that take effect with the issuance of the new three-year rates. The first time a school's three-year CDR is equal to or greater than 30 percent, the school must establish a default prevention task force and prepare a default prevention plan to:

1. identify the factors causing the rate to be 30 percent or greater,
2. establish measurable objectives and steps to improve future rates, and
3. specify actions that can be taken to improve student loan repayment, including counseling regarding loan repayment options.

The school's plan must be submitted to ED for review. This could happen as early as 2012, based on the school's official FY 2009 three-year CDR.

If the school's CDR remains equal to or greater than 30 percent for two consecutive fiscal years, the school's default prevention task force must review and revise the plan, and submit the revised plan to ED. ED may require the school to make further revisions to the plan and/or take actions to improve student loan repayment success. This could happen as early as 2013, based on the school's FY 2009 and 2010 three-year CDRs.

Next steps

Of course, a school may challenge its draft CDR and request an adjustment to its official CDR. A school must comply with specific guidelines and timeframes to execute these challenges and requests for adjustments. In February, ED sends to each school its draft CDR. A school may challenge its draft CDR within 45 days of

its receipt. ED releases official CDRs in September. Requests for adjustments must be submitted within 30 days of the date the school receives its official CDR. Remember that the recently published trial, three-year CDRs serve as preview data only. As such, schools may not submit challenges or requests for adjustments for these trial rates.

Note that the first cohort of borrowers included in the new three-year CDR entered repayment in FY 2009 (October 1, 2008 to September 30, 2009). Therefore, it's important for schools to frequently monitor and correct, if needed, the out-of-school dates reported to lenders because these reported out-of-school dates determine when a borrower enters repayment (e.g., out-of-school date + six months grace period = date entered repayment). The "date entered repayment," in turn, determines whether the borrower is included in that fiscal year's cohort.

The actions a school takes now can make a difference in its future CDRs.

More information

ED explains the trial three-year CDRs in its [December 7 announcement](#) on three-year cohort rates. ED also provides more information on implementing HEOA provisions, including CDR provisions, in its October 28 and 29, 2009, final rules packages and recently released [recorded training and transcript](#).

For more information about CDRs, two- and three-year calculations, the transition to the three-year calculation, draft and official rates, benefits and sanctions, and challenges and requests for adjustment, as well as TG tools to help a school manage its CDR, see TG's archived webinars, "[Managing your cohort default rate](#)" and related training materials, including a Q&A from the session.

In addition, see TG's [Default Prevention Internet Resources](#) for a link to ED's Cohort Default Rate Guide Quick Reference and other ED publications designed to assist school users and default prevention and management personnel. For tips on how to develop and integrate proactive default aversion techniques at your school, visit TG's archived webinar, "[Default Aversion 101](#)" and related training materials, which include a timeline of default aversion activities and a Q&A from this session.

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

Save the date

On February 4, 2010, TG will provide a new webinar, "[How to Challenge Your Cohort Default Rate](#)," which will describe the process for challenging data contained in draft CDRs, as well as the types and timelines for data challenges. Intended for school personnel directly responsible for monitoring and verifying the accuracy of a school's CDR, this webinar will be broadcast at 10 a.m. Central Time and repeated at 3 p.m. Central Time.

ED issues record retention guidance for loans pledged or sold to ECASLA Conduit

On December 16, 2009, ED released ECASLA Electronic Announcement (E-ANN) #78, regarding the retention of records needed to establish eligibility of loans pledged to the conduit lender.

According to the Funding Note Purchase Agreement (FPNA), all funding note issuers must provide to the conduit administrator, the conduit manager, and ED an Agreed-Upon Procedures Letter (AUP) regarding whether loans that are pledged to the conduit lender are eligible loans. The FPNA states in part:

“The AUP must be conducted in accordance with guidelines published periodically by the Department and must be submitted following any calendar quarter in which the issuer pledges loans to the conduit lender. Those guidelines have not yet been published. Because the AUP will examine whether loans pledged to the conduit are Eligible Loans under the FNPA, issuers must ensure that the records needed to establish that the loans that were pledged qualify as Eligible Loans.”

An “eligible loan” as defined by the FNPA includes, among other things, the requirement that the loan was selected for sale and/or pledge in accordance with the Loan Sale Allocation Criteria or Loan Pledge Allocation Criteria, as applicable. In addition, the loans sold or pledged (the Pool) must be selected from all or part of the seller’s or issuer’s Relevant Loan Portfolio as well as representative of the seller’s or issuer’s Relevant Loan Portfolio. The FPNA goes on to say:

“To demonstrate that the loans were selected as required by the FNPA, the Pool of loans selected must be compared with the Relevant Loan Portfolio from which it was selected. That comparison requires the seller or issuer to retain an accurate and complete record of the specific loans that comprised that particular Relevant Loan Portfolio. If the Pool is one that must be tested for compliance with the four Threshold Tests, the seller or issuer must include in the records sufficient details to show the average principal balance, school type, payment status, and type of each loan comprising both the Pool and the Relevant Loan Portfolio. In addition, the records must contain sufficient details to show that the Pool has met each Threshold Test.”

More information

The complete announcement and attachments, as well as all previous ECASLA E-ANNs, are available on ED's ECASLA Web site at <http://federalstudentaid.ed.gov/ffelp>.

ED guidance to lenders concerning required disclosures for borrowers having difficulty making payments

In the final rules published on October 29, 2009, the *Federal Register* reorganized and expanded §682.205 to include a series of new disclosures as required by the Higher Education Opportunity Act (HEOA). One new disclosure requirement, as outlined in §682.205(c)(4), notes that a disclosure must be provided to those borrowers having difficulty making payments. For a borrower who has notified the lender that he or she is having difficulty making payments, the lender is required to provide the borrower with information pertaining to:

- A description of available repayment plans and how a borrower may request a change to his or her repayment plan;
- The requirements and costs associated with obtaining forbearance on a loan; and
- Any options available to a borrower to avoid default and any fees or costs associated with those options.

ED recently clarified in private letter guidance that “a purely lender-initiated contact with a borrower, such as a due diligence contact that is not in response to a borrower-triggering contact, is not subject to this particular disclosure requirement.”

The above disclosure is provided when the borrower contacts the lender. Section 433(e)(2) of the Higher Education Act states that “each eligible lender shall provide [this information] to a borrower who has notified the lender that the borrower is having difficulty making payments.” Further, ED has interpreted “notified” to mean that the borrower independently initiates contact with the lender through various means, including but not limited to, phone, letter, e-mail, or text message.

More information

To obtain additional information about lender disclosures, lenders are encouraged to review the [October 29, 2009, edition of the *Federal Register*](#).

ED announces the availability of recorded trainings that focus on final rules

ED published two separate *Dear Colleague Letters* (DCL) on December 15, 2009, informing schools and lenders of the availability of recorded webinar sessions that focus on the final rules.

- [DCL ANN-09-36](#) invites schools and lenders to learn more about final rules that affect the Federal Family Education Loan, Federal Direct Loan, and Federal

Perkins Loan programs. The 90-minute recording can be accessed at www302.livemeeting.com/cc/fsatraining/view?id=C27MKS-1.

- [DCL ANN-09-37](#) invites schools to learn more about general Title IV and non-loan programmatic final rules which pertain to changes to the Federal Pell Grant, Federal Work-Study, and TEACH Grant programs as a result of the Higher Education Opportunity Act. The 90-minute recording is available at www302.livemeeting.com/cc/fsatraining/view?id=4H2KPS.

Note that no recording key is required to view these sessions; however, you must enter your name to access the recording.

Schools and lenders are encouraged to review these recorded sessions to learn more about the final rules applicable to programs. In addition, the DCLs include URLs so that schools and lenders may download a transcript of the recording.

Advisory Committee on Student Financial Assistance encourages public comment

Created as an independent and bipartisan source of advice and counsel to both Congress and the Secretary of Education, the 11-member [Advisory Committee on Student Financial Assistance](#) (ACSFA) works to simplify student aid processes, evaluate and propose access and persistence policies, suggest innovation in higher education, streamline statutory and regulatory requirements, and provide technical assistance.

The Higher Education Opportunity Act of 2008 mandated that the ACSFA conduct a [Higher Education Regulations Study](#) to review and analyze current federal regulations affecting higher education. Phase 1 of the study focused on Title IV regulations. Preliminary analysis of public comment gathered for this phase began on July 15, 2009.

On December 17, 2009, the ACSFA issued a press release regarding phase 2, which proposes to move beyond Title IV regulations and begin to examine the impact of all federal regulations within the Higher Education Act. According to the release, ACSFA “encourages the public to help identify regulations in higher education that are duplicative, no longer necessary, inconsistent with other federal regulations, and/or overly burdensome. Specifically, the Advisory Committee seeks to quantify the level of burden placed on institutions by such regulations.”

To submit comments

Provide comments to ACSFA via its [public comment Web page](#), or by phone at (202) 219-2099.

Note that ACSFA plans to hold a meeting in spring 2010 to gather testimony on any burdensome regulations affecting higher education. ACSFA will issue additional details about the meeting and how to participate.

More information

Contact Brent Madoo at (202) 219-2196, or send an e-mail message to brent.madoo@ed.gov for more information.

Closed school corner

The following table provides a list of newly reported school closures and corrections from the Postsecondary Educational Participants System (PEPS) and from the December 2009 *Closed School Monthly Report* supplied by ED. Schools listed are those with which TG has done business or to which TG has otherwise provided services.

Newly reported closures

OPE School ID	School Name and Address	Unofficial Closure Date	ED's Official Closure Date
00854701	Ivy Tech Community College Of Indiana-Region 7 Greencastle 1 Calbert Way Greencastle, IN 46135-9705	N/A	09/05/2009

TG Report

Register for TG's upcoming Texas regional trainings

If you're looking for a forum on some of the latest legislative and regulatory changes, consider TG's regional trainings. These trainings provide a collegial environment in which to discuss regulatory developments as well as learn more about trends and events in the student financial aid industry. TG offers several day-long workshops in February, one in Austin on February 18, and one in El Paso on February 19 at the Western Technical College. Trainings begin at 8 a.m. and wrap up about 3 p.m. The agendas for both trainings are similar with the exception of one session noted below. Here is a summary of subjects offered at both events.

- **Federal update:** Learn about recent activities that may affect the Federal Family Education Loan Program (FFELP) and other federal student aid programs. The session will offer updates on various issues including federal common forms, *Dear Colleague/Partner* letters issued by ED, proposed and final federal regulations, and pending legislation.

- **Life of the loan — From delinquency prevention to surviving the consequences of default:** Review the life of the loan and learn more about TG's default prevention process. Participants will hear about the activities that occur during each phase of delinquency and discuss the consequences of default.
- **TG update:** Hear about TG's FY 2010 product plans, as well as possible future products and services.
- **IBR basics:** Learn how Income-Based Repayment (IBR), the new student loan repayment plan, could benefit certain borrowers by minimizing monthly payments. This session presents a high-level introduction to the IBR plan, including how borrowers qualify for IBR, the forgiveness component of IBR, the benefits IBR provides to the borrower and the school, and ideas for educating borrowers about IBR.

Austin's regional training offers a unique session titled "Motivation in financial aid." In this interactive session, participants learn how to use an "eidetic variations" exercise for identifying specific characteristics of highly motivated people. Attendees then discuss how to help develop and promote these characteristics in the financial aid office.

The El Paso regional training offers "Leading your team through challenging times," which provides tips on how to help your team manage multiple priorities with a sometimes limited budget and fast-paced schedule. The session features various exercises for individuals and small groups.

Register

To register for these regional trainings, visit *TG Online* at www.tgslc.org/training/regional/register.cfm.

To learn more

TG offers a variety of training opportunities through its Speakers Bureau. Visit www.tgslc.org/speakers/index.cfm to browse the training catalog. Keep in mind that TG can adapt a training session to meet the needs of your campus. To find out how, contact your account executive at (800) 252-9743.

Policy Resources

Ask the Policy Expert

Q.: ED has recently made available a revised Federal Perkins Master Promissory Note (MPN) with an expiration date of August 31, 2012, and an Addendum for borrowers who signed a previous version of the

Federal Perkins MPN. What is the date on which schools must use the revised MPN?

- A:** The previous Perkins MPN expired on June 30, 2009, and ED announced the approval of a revised MPN and Addendum on September 28, 2009, in DCL CB-09-05. The revised MPN reflects changes made to the Perkins Loan program due to the College Cost Reduction and Access Act of 2007 and the Higher Education Opportunity Act of 2008.

In DCL CB-09-05, ED established September 30, 2009, as the last date on which a school was permitted to distribute the MPN with an expiration date of June 30, 2009. However, in DCL CB-09-07, published on October 2, ED announced an extension of the implementation date: as of December 31, 2009, schools were no longer permitted to distribute the Perkins MPN with an expiration date of June 30, 2009. This revised implementation date applies to both the paper and electronic versions of the MPN.

For more information, visit the [Information for Financial Aid Professionals Web site](#).

Do you have a question?

Feel free to *Ask TG™*. *Ask TG*, TG's online query tool for borrowers, schools, and lenders, offers a database of frequently asked questions about financial aid, student loan processing, and TG's products and services. To submit a question, visit tgslc.custhelp.com.

News Briefs

Many college students are avid online communicators, spending hours each day texting, messaging, and talking via chat rooms. Second Life offers a variation on the chat room experience — a 3-D visual environment in which to interact with other users. Users, or their Second Life stand-ins called avatars, chat, build houses, buy stuff, socialize, and otherwise behave as they might in the real world. Students have taken to this virtual world so much so that universities like Pennsylvania State University now require their academic advisers to be available to students via Second Life for two hours a week. Read more about serving the Second Life college community in the [online edition of the *Chronicle of Higher Education*](#). Note that some articles of the *Chronicle* require a subscription to view.



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