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## A message from Sue McMillin, TG President and CEO

With the passage this week of H.R. 4872, the Health Care and Education Affordability Reconciliation Act of 2010, commonly referred to as the “reconciliation bill,” the U.S. Congress has terminated new FFELP lending effective July 1, 2010. President Obama is expected to sign the reconciliation bill into law shortly.

Amidst the changing federal student loan landscape, TG remains focused on its mission of promoting college access and helping students and families realize their education and career dreams. At the same time, we stay dedicated to you, our customers and colleagues in financial aid. As we make the transition to the new federal student aid environment, TG offers our commitment, expertise, and support in the form of exceptional customer service to you and your students.

We continue to expand our services in key areas of need in higher education that include:

- **College access and success:** We support students at every stage in the college journey, from pre-admission through graduation. We offer an extensive Web site on planning for college and career, a call center for students and families, and in-person information and assistance at outreach events.
- **Financial literacy:** We work to educate students on managing their money so that they can make informed consumer choices to enhance financial success. We also provide training to assist you in implementing your school's financial literacy initiatives.
- **Default aversion:** We work directly with borrowers, providing resources to help them succeed in repayment. We also offer a variety of tools and information to serve you as you manage your cohort default rates.
- **Industry training:** We lead workshops and webinars on federal student aid programs to enhance your industry knowledge, and professional development topics to help enrich peer relationships and improve office operations and customer service.

For three decades, TG has worked closely with our customers, developing a robust set of services to help meet your needs. We view the change in the federal student loan arena as an opportunity to build on these services, and to continue to promote the value and pursuit of higher education. In the pages of *Shoptalk* and through other channels, we look forward to telling you more about TG's evolving services. In the meantime, we reaffirm our dedication to you, and to our students and families, as we embrace change together.

## Industry Update

### Congress approves reconciliation bill

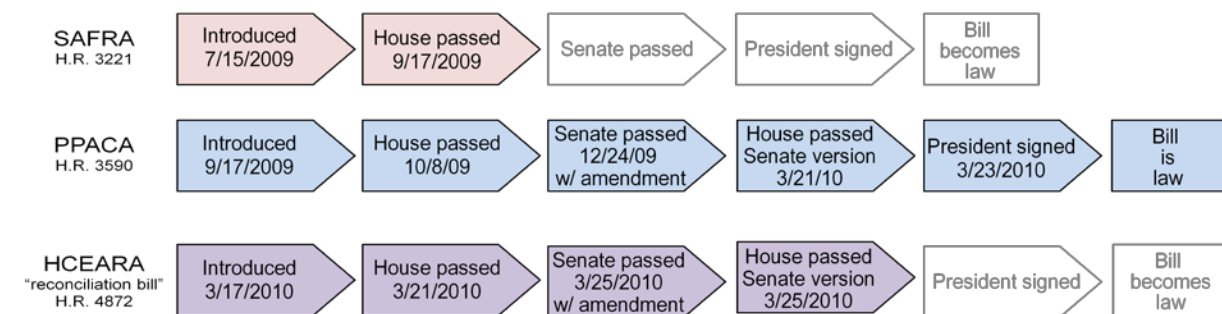
On Thursday, March 25, 2010, both houses of Congress approved the Health Care and Education Affordability Reconciliation Act of 2010 (HCEARA, H.R. 4872, also known as the "reconciliation bill"), paving the way for it to be sent to President Obama for signature. The legislative process for this bill was swift. The latest *Shoptalk* edition (545) informed readers that the U.S. House of Representatives passed two bills on Sunday, March 21, 2010 —

- The U.S. Senate's version of the health care reform bill, also known as the Patient Protection and Affordable Care Act (PPACA, H.R. 3590), which President Obama signed into law on March 23, 2010; and
- The reconciliation bill.

The [reconciliation bill](#) combined portions of the Student Aid and Fiscal Responsibility Act (SAFRA, [H.R. 3221](#)) and revised elements of PPACA. The original SAFRA was passed by the House in September 2009, but the bill was never taken up for a vote in the Senate.

The Senate began debate on the reconciliation bill on Tuesday, March 23. Early Thursday morning, March 25, the Senate Parliamentarian informed Senate leaders that certain Pell Grant provisions were deemed to violate budget reconciliation rules. The provisions in question were stricken from the reconciliation bill, and the Senate then passed the revised version of the bill on Thursday afternoon. The House approved the Senate's version Thursday evening. Once President Obama signs the bill, it becomes law.

The diagram below offers an overview of the progress of each bill in the legislative process as of today.



### For more information

*Shoptalk* will keep readers informed as the reconciliation bill progresses into law.

### Inside the bill: provisions of HCEARA

H.R. 4872, the [Health Care and Education Affordability Reconciliation Act of 2010](#) (HCEARA or "reconciliation bill") consists of two parts, also known as "titles." In general, the first title amends the Patient Protection and Affordable Care Act ([H.R. 3590](#)). The second title contains portions of the Student Aid and Fiscal Responsibility Act (SAFRA, [H.R. 3221](#)), which amends the Higher Education Act of 1965 (HEA).

The reconciliation bill:

- Revokes the authority to originate or insure new federal student loans (including Consolidation loans) under the Federal Family Education Loan Program (FFELP) after June 30, 2010. All Stafford, PLUS, and Consolidation loans first disbursed on or after July 1, 2010, will be made under the Federal Direct Loan Program (FDLP). The Federal Perkins Loan Program was not impacted.

- For fiscal year 2010, authorizes and appropriates \$50 million to provide technical assistance to schools participating or seeking to participate in the FDLP, including technical support, training materials, technical assistance, and financial assistance.
- For an application received by ED on or after July 1, 2010, and before July 1, 2011, allows a borrower who:
  - Has one or more loans in two or more of the following categories:
    - FFELP loans,
    - FFELP loans purchased by ED under the Ensuring Continued Access to Student Loans Act (ECASLA) programs, or
    - Direct loans; and
  - Has not yet entered repayment on one or more of the loans in any of the above categories

to consolidate all of his or her loans in any of the above categories into a Federal Direct Consolidation Loan. The weighted average interest rate applied to a Consolidation loan made under this provision will not be rounded up to the nearest 1/8th of one percent, as is currently the case for the interest rate on a Consolidation loan disbursed today.

- Effective July 1, 2010, adds \$690 in mandatory funds to discretionary appropriations for Pell Grant maximum awards for the 2010-2011 through 2012-2013 award years. For the 2010-2011 award year, the maximum award is unchanged at \$5,550.
- For fiscal year 2011, appropriates \$13.5 billion to reduce the Pell grant shortfall.
- For each of the fiscal years 2010 through 2014, provides mandatory funding for the College Access Challenge Grant Program of \$150 million.
- For each fiscal year from 2010 through 2019, extends mandatory funding for Historically Black Colleges and Universities (HBCUs) and Minority-Serving Institutions (MSIs) of \$255 million.
- Effective July 1, 2010, allows eligible students (and parents of dependent students) who attend participating schools outside the United States to receive Direct loan funds.
- Requires ED to contract with each eligible nonprofit servicer to service Direct loans if the servicer meets federal standards and has the capacity to service loan accounts of at least 100,000 borrowers. ED shall set a competitive market price for the first 100,000 borrower loan accounts. For fiscal years 2010 through

2019, mandatory funds obligated for administrative costs of contracts with eligible nonprofit servicers shall be available to ED.

- For each of the fiscal years 2010 and 2011, authorizes and appropriates \$25 million to loan servicers for retaining jobs at locations in the United States where such servicers were servicing FFELP loans on January 1, 2010.
- Beginning on July 1, 2014, changes Income-Based Repayment (IBR) provisions for new Direct loan borrowers as of that date. A new borrower will qualify for IBR if the annual amount due on the total of the borrower's eligible loans as calculated on a 10-year standard repayment plan exceeds 10 percent (currently 15 percent) of the borrower's discretionary income. In addition, such a borrower would be eligible for loan forgiveness after 20 years (currently 25 years) of qualifying payments.

The reconciliation bill also amends the Trade Act of 1974, by appropriating \$500 million for each of fiscal years 2011, 2012, 2013, and 2014, for the Community College and Career Grant Program, which was established by the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA provisions limit an eligible school to one grant and that grant cannot exceed \$1 million; however, the reconciliation bill's appropriations are not subject to these limitations. In addition, each state will receive not less than 0.5 percent of the amount appropriated, or \$2.5 million, for each fiscal year.

### **For more information**

*Shoptalk* will keep readers informed as the reconciliation bill progresses into law.

## **Getting ready for summer lending and FFELP to FDLP transition**

The Health Care and Education Affordability Reconciliation Act of 2010 (HCEARA, H.R. 4872, also known as the "reconciliation bill") revokes the authority to originate or insure new federal student loans (including Consolidation loans) under the Federal Family Education Loan Program (FFELP) after June 30, 2010. All Stafford, PLUS, and Consolidation loans first disbursed on or after July 1, 2010, will be made under the Federal Direct Loan Program (FDLP).

This article provides information to assist schools that are in the early stages of planning their summer loan processing activities (i.e., loan certifications and disbursement schedules).

**Q.:** How do the current provisions of the reconciliation bill impact summer 2010 lending to student and parent borrowers?

**A.:** The reconciliation bill states that “(1) no new loans (including Consolidation loans) may be made or insured under [the FFELP] after June 30, 2010; and (2) no funds are authorized to be appropriated, or may be expended, under this Act or any other Act to make or insure loans under [the FFELP] (including Consolidation loans) for which the first disbursement is after June 30, 2010...” [Sec. 2201]

A critical element of this language is the timing of a loan’s first disbursement. If the loan’s first disbursement occurs before July 1, 2010, the first disbursement and all subsequent disbursements may be made under the FFELP. If a loan’s first disbursement occurs on or after July 1, 2010, the loan must be originated and fully disbursed under the FDLP.

**Q.:** If the first disbursement of a FFELP loan is scheduled to occur before July 1, 2010, but it is delayed beyond July 1, can the loan still be made under the FFELP?

**A.:** No. Any loan that is *actually* first disbursed on or after July 1, 2010, must be made under the FDLP. A pending FFELP loan will be cancelled if the first disbursement does not *actually* occur before July 1. To replace those funds, the borrower must sign a Direct loan master promissory note (if he or she has not already signed one) and the school may originate a new Direct loan for the same loan period for which the cancelled FFELP loan was previously certified.

**Q.:** If the first disbursement of a FFELP loan is cancelled and it is not reissued before July 1, 2010, can the loan still be made under the FFELP?

**A.:** No. If no disbursements on a FFELP loan have occurred before July 1, 2010, the entire loan must be cancelled. The school may originate a new loan under the FDLP for the same loan period for which the cancelled FFELP loan was previously certified.

**Q.:** Does the reconciliation bill provide any exceptions for transitioning to FDLP by July 1— for instance, if a school wants to request more time to transition to the FDLP?

**A.:** No. The reconciliation bill does not provide for any delayed implementation of its provisions, including the transition to the FDLP.

### **TG assistance**

TG offers helpful information and resources to assist schools in the FDLP transition process. For questions, contact your account executive or TG customer assistance at (800) 845-6267, or send an e-mail message to [cust.assist@tgsllc.org](mailto:cust.assist@tgsllc.org).

Additional information is available on the following Web sites:

- ED's Direct Loans page at [www.direct.ed.gov](http://www.direct.ed.gov).
- NASFAA's [Direct Loan Conversion Resource Center](#) and a "Checklist for the Transition to Direct Loans" co-developed by ED and NASFAA.
- National Direct Student Loan Coalition at [www.directstudentloancoalition.org](http://www.directstudentloancoalition.org).

## TG's Guarantee, Support, and Reporting team (GSR) stands ready to help you

With the passage of the reconciliation bill, it is imperative that FFELP schools complete their transition to the Federal Direct Loan Program (FDLP) as soon as possible, to be ready for summer loan processing. TG's GSR team, consisting of product support, loan guarantee operations, and federal reporting, is ready to assist schools and lenders with their transitional loan processing needs. GSR is preparing to evaluate new loan requests, existing loans, and upcoming disbursements to determine if the legal criteria for FFELP guarantee and disbursement funding are met.

In the near future, GSR will begin rejecting loan requests with a first disbursement date scheduled on or after July 1, 2010. GSR will contact schools to verify the first disbursement date before terminating those loan requests. GSR will also verify if Consolidation applications and Blanket Guarantee applications were disbursed before July 1, 2010.

GSR will run reports to identify existing loans that have a scheduled first disbursement date on or after July 1, 2010, and will contact schools and lenders to ensure the disbursement dates are correct and notify them that the loans will be cancelled, if necessary. Any loans requiring cancellation will have CommonLine modification records sent and GSR will communicate this information via e-mail to both the school and lender. GSR will run these reports beginning in mid-May 2010; however, customers may request reports for their institutions earlier.

TG also expects to have its EFT roster programming completed in June to ensure that a loan's funds release date is not on or after July 1, 2010, unless at least one disbursement on the loan was issued before July 1. The funding cycle (3-day or next-day) will be considered for scheduled disbursement dates that fall at the end of June 2010. GSR will proactively monitor roster rejects and assist customers with quick resolution of rejects.

### **For assistance**

For questions about loan requests, existing loans, or upcoming disbursements, please contact TG's GSR team at (800) 446-5616, or send an e-mail message to [lgo.helps@tgsllc.org](mailto:lgo.helps@tgsllc.org).



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