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### Smart Solutions

Incoming freshmen admitted for fall semester 2010 are busy securing funds for their first semester on campus. To help, TG offers a scholarship search engine through its *Adventures In Education* (AIE™) Web site. [AIE's Scholarship Search](#) contains information on more than 10,000 scholarships with a combined value of more than \$7 billion. The Quick Search feature gathers a large amount of scholarship information. The Advanced Search focuses on finding scholarships that fit specific needs.

## TG Report

### 2010 TG Annual Training Conference offers support to an industry in transition

More than 200 financial aid professionals from across the country gave an enthusiastic reception to the 2010 TG Annual Training Conference, held from April 7-9 at the AT&T Executive Education and Conference Center in Austin. The conference, which was themed "A New Horizon - Sharing the Journey," focused on the evolving legislative and regulatory landscape for student financial aid and the work of industry participants to prepare for change. Representatives from organizations including TG, the Department of Education (ED), schools, as well as various industry experts, presented more than 40 sessions on timely topics such as the transition to the Federal Direct Loan Program (FDLP), the 3-year cohort default rate, financial literacy for college students, and much more.

#### Opening and closing speakers set tone, challenge audience



Motivational speaker Dan Thurmond makes a point during his keynote address.

Dynamic speakers Dan Thurmon and Kathryn Childers challenged this year's TG conference attendees to accept that difficulty is a valuable and integral part of any journey and can lead to positive change.

In a high-energy keynote address, "Off Balance, On Purpose," which kicked off the three-day conference on April 7, Dan Thurmon did flips, handstands, and juggled knives while riding a 6-foot high unicycle to help illustrate his points.

Trying to find balance is a valuable metaphor for coping with difficult situations, Thurmon noted, and yet perfect balance is impossible to sustain.

Launching himself into a handstand above the lectern, Thurmon asked, "Do you see how I hold this position? It's not that I achieve and maintain balance. Instead, I'm making many little adjustments all the time, moving slightly out of balance, then shifting to get back in balance."

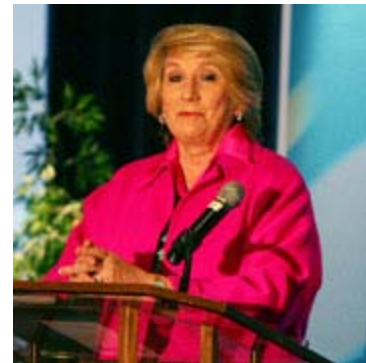
Setting himself back upright, Thurmon refined his analogy. "Change and challenge throw us off-balance, but the answer isn't to yearn for the impossible standard of maintaining perfect balance. The answer is to continue our work, to strive to achieve our purpose, even though we're off balance. The answer is to lean into it, to be off balance, on purpose."

Thurmon noted that individuals work best once they understand the pattern or purpose that organizes events or rules. To stress his point, he juggled luminescent

balls with the lights out, so that audience members could see the cascading pattern. "The point is that there is a space between the catches and the throws for us to take intentional action, and that those actions, viewed collectively, form a pattern," said Thurmon.

Thematically similar to Thurmon's "Off Balance, On Purpose" message, Kathryn Childers closed the conference by urging her audience to "Do It Scared!" In the same way that Thurmon denied the possibility of sustained and perfect balance, Childers stated that fear is inevitable. "You're going to feel fear sometimes," she said, "but it doesn't have to stop you from doing what you want to do."

Childers wove her personal story — a journey that includes being one of the first five female agents in the U.S. Secret Service — into her speech. She described how she left the Secret Service to begin a new life when she became married. "I had to reinvent myself," she said. Eventually she became a broadcast journalist. "It was a little scary to start a morning show, and a new career," she said. "On the other hand, it wasn't as scary as being an agent ready to put your life on the line! And again, being scared is no reason not to do what you set out to do!"



Kathryn Childers drew from her own experiences during the conference closer.

Both speakers specifically addressed the changes that conference attendees are facing in the world of financial aid policy. They encouraged listeners to look at how those changes, even though difficult in some ways, may open a space for new opportunities. They also helped set the stage for conference sessions and offered food for thought as attendees departed for home.

### **To learn more**

Visit *TG Online* if you'd like to [view presentation materials for this year's TG Annual Training Conference](#). Slides for most but not all presentations are available. If you have questions about this year's agenda or future events, contact TG event planning coordinator Judith Cunningham at (800) 252-9743, ext. 2905, or send an e-mail message to [judith.cunningham@tgscl.org](mailto:judith.cunningham@tgscl.org).

## **ED speakers discuss HCERA and the FDLP transition at TG Annual Training Conference**

Department of Education (ED) representatives David Bergeron and Patrick Kennedy opened the second day of the TG Annual Training Conference with a federal update and a high-level summary of the steps involved in transitioning to the Federal Direct Loan Program (FDLP).

Bergeron, ED's acting deputy assistant secretary for Policy, Planning, and Innovation, gave attendees an overview of the Health Care and Education Reconciliation Act of 2010 (HCERA). He explained how ED will use the \$50 million HCERA funding to help college and university financial aid offices make the transition to the FDLP. ED will contract with nonprofit servicers, contractors, and guarantors to help schools implement the FDLP.



ED's David Bergeron discussed changes mandated by the HCERA.

In his presentation, Kennedy detailed multiple aspects of the FDLP, from disbursement to reporting, as well as the transition process. Kennedy, who serves on ED's Business Operations and Program Management Services and as a member of the Direct Loan On-Boarding team, reiterated the many similarities between the FFELP and FDLP, including rules and regulations governing the two programs and the repayment options available in each. Kennedy also provided details on ED's services, such as

call center support for administrators with additional questions on implementing the FDLP at their campuses.

Both presenters commented on the importance of keeping cohort default rates (CDR) low, and explained that ED is committed to help schools monitor their CDRs and provide assistance to borrowers needing help with repayment.

"The Department of Education will be very aggressive in getting borrowers to understand and use repayment options, such as Income-Based Repayment (IBR) and other solutions, in order to keep default rates down," said Bergeron.

### **For FDLP transition questions**

If you have questions about the FDLP implementation process, or need help with beginning the FDLP transition, please contact TG's customer assistance team at (800) 845-6267, or send an e-mail to [cust.assist@tgscl.org](mailto:cust.assist@tgscl.org).

### **To learn more**

Both presentations were recorded, and links to the recordings will be provided through *TG Online*. *Shoptalk* will announce the availability of the recordings in a future edition.

For questions about this year's conference agenda or future events, contact Judith Cunningham at (800) 252-9743, ext. 2905, or send an e-mail message to [judith.cunningham@tgscl.org](mailto:judith.cunningham@tgscl.org).

## ED speaker discusses Pell program changes during conference session

On Friday, April 9, ED senior policy analyst Fred Sellers led an interactive video session titled "Two Pell's In One Award Year." Sellers introduced the subject by providing an overview of the legislative and regulatory provisions that give Pell grant recipients the opportunity to receive a second scheduled award within one award year, to enable them to accelerate toward completion of their program.

The session focused in particular on helping participants understand the responsibilities of handling crossover payment periods. Sellers not only defined what a crossover payment period means, but covered comprehensive examples related to packaging. Sellers reminded schools that there are no regulations associated with receiving two Pell grants over the 2009-10 award year. Thus, schools have been tasked with using other legally supportable guidance to implement this provision. He emphasized that the formulas used for awarding Pell grants have not changed and that schools must exhaust funds from the first scheduled award before making payment from the second scheduled award.

With the 2010-11 award year approaching, Sellers explained the new final rules that become effective July 1, 2010. He placed special emphasis on the need for schools to establish a policy that describes how to handle the crossover payment period assignment for summer 2010. He noted that, for the most flexibility, schools should establish this policy before July 1, 2010.

Sellers encouraged school participants to send questions about the Pell program to him at [fred.sellers@ed.gov](mailto:fred.sellers@ed.gov).

### To learn more

To assist individuals that were unable to attend this session, online copies of many session handouts, including "Two Pell's in One Award Year," are available at [www.tgslc.org/tgconference/presentations.cfm](http://www.tgslc.org/tgconference/presentations.cfm). If you have questions about this year's agenda or future events, contact TG event planning coordinator Judith Cunningham at (800) 252-9743, ext. 2905, or send an e-mail message to [judith.cunningham@tgslc.org](mailto:judith.cunningham@tgslc.org).

## Conference sessions focus on school experiences in transitioning to the FDLP

To help schools as they transition to the Federal Direct Loan Program (FDLP), TG offered two conference sessions — one on Wednesday, April 7, and the other on Thursday, April 8 — featuring representatives from schools that have completed or are in the process of completing the transition. Panelists shared their experiences and suggested resources and tips for making an efficient and effective transition.

Esmeralda Flores, assistant director of financial aid at Our Lady of the Lake University; Ed Turney, associate director of financial aid at the University of North Texas; and Terri Thompson, financial aid loan coordinator at Weatherford College, led the Wednesday session. Anne Walker, director of student financial services at Rice University; Terri Thompson; and Rhonda Beauchamp, loan officer at Texas State Technical College in Waco, Texas, led the Thursday event.

Panelists covered a variety of topics, including how disbursements are made in the FDLP; how to resolve set-up issues by working with assigned ED contacts; communicating the transition process to parents and students as well as to campus departments; and details of reconciliation and reporting.

### **Varied situations, valuable insight**

Presenters focused in particular on financial aid management system (FAMS) changes and the shift in processes for campus offices that support financial transactions. Schools on the panel used various platforms, including Datatel Colleague®, PeopleSoft®, POISE®, and Banner®. “Aside from the systemic challenges that you may face from your specific FAMS, the greatest challenge will be a shift in your thinking” said Thompson. She noted that schools may need to take responsibility for issues and processes that normally were handled by another service provider, such as a guarantor.

Anne Walker said that peer institutions undergoing similar transition issues could be a great resource. She noted that other schools had helped Rice University understand and use FDLP reporting capabilities. “It may seem at first that FFELP and Direct are speaking different languages, but we’ve come to better understand how both work now,” she said.

### **Positive experiences, some advice**

Panelists reported favorable experiences with ED when calling or requesting transition support. Schools found a variety of other processes easy to adopt, including funding, reconciliation, and, for those schools already participating in the Pell grant program, using existing processes to draw down loan funds.

School representatives also offered advice to attendees just beginning the transition process. They suggested that schools use a smaller cohort of students — for example, those in the summer session — to begin the transition. They added that clear, electronic communications (e.g., e-mail messages, Web site announcements) were more effective than simply mailing notices about the transition to borrowers and families. And they suggested contacting peer institutions that used the same FAMS in order to learn how they adapted their system to FDLP procedures. Some schools recommended particular training resources available on ED’s Web sites.

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## Session offers dialogue with FDLP servicers

In an April 9 conference session, representatives from loan servicers for the Federal Direct Loan Program (FDLP) discussed how their organizations will support the needs of schools and borrowers with Direct loans. Panelists delivered a short introduction, answered a few prepared questions, and took questions from the audience.

Cathleen Harmon, vice president of Sallie Mae; Jim Harris, senior vice president for Nelnet; Brett Lindquist, senior vice president of Marketing at Great Lakes; and Adele Marsh, vice president for Federal Loan Servicing at AES/PHEAA represented their organizations on the panel.

### **Emphasis on collaboration, customer service**

All four representatives said that they understood school concerns about the transition process and potential confusion among borrowers. They detailed the process they follow in communicating with both the school and the borrower when a loan is assigned to and received by a servicer. They also addressed how they each have a process for helping borrowers locate loans held by multiple servicers.

Several representatives noted that schools may also have questions about ED's process for assigning successive loans, the fees assessed and collected by servicers for servicing loans in repayment versus loans in delinquency, and customer service provided to borrowers. All four representatives emphasized that ED had built performance requirements into contracts, and that these requirements would help assure consistency of service from one FDLP servicer to another. These requirements included having toll-free phone numbers, requirements on communicating with borrowers, and basic performance requirements.

Representatives also indicated that servicers communicate with each other and with ED in order to further simplify the servicing experience for borrowers. For example, each servicer accepts deferment and forgiveness forms from other servicers. All four servicers are also working to provide a single online location for identifying the assignment of loans by servicer in real time. In addition, servicers are working with ED to improve servicer processes, for example, by assigning successive loans to the same servicer.

## **Preparing for increasing demand, evaluating opportunities for consistency**

All four servicers said they are committed to providing strong support to borrowers, and are preparing for the increase in volume. To maintain effective customer service, servicers plan to increase staff or transfer staff from other areas of the company, deliver rigorous training to new employees, enhance training for call centers handling FDLP and FFELP loans, and provide extensive communication and support for schools. Servicers plan to support schools with ongoing electronic communications, training, and in-person assistance from regional representatives.

Each servicer described efforts to adjust counseling materials based upon recent changes. They added that they understand the desire of the industry as a whole to standardize data exchange, which would help schools monitor loans across multiple servicers. Panelists noted that several market tools are available, which provide the option of exporting data according to specific requirements; however, further discussions are being held to provide consistency in this area.

## **Improving the process, voicing concerns**

Panelists encouraged schools to participate in ongoing surveys issued by ED to gauge servicer performance. They also asked schools to contact them directly with any suggestions for improving processes. Feedback provided through ED's surveys is anonymous; however, information is provided to all servicers on a regular basis to improve processes and services.

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## **Conference spotlight: creating an effective default aversion program in times of change**

Attendees of the default aversion sessions at the 2010 TG Annual Training Conference had one issue top-of-mind — how to implement and manage an effective default aversion program in the midst of rapid industry change. Attendees were concerned whether the transition to the FDLP might affect the borrower repayment process. They were also focused on the shift from a 2-year to 3-year cohort default rate calculation. Conference sessions offered information to help deal with these issues, including strategies suggested by TG experts and insight provided by peers during group discussion.

## **Default Aversion 101**

The “Default Aversion 101” session, held Wednesday, April 7, established a frame of reference for attendees by outlining default aversion practices and regulatory requirements. TG default aversion consultant Rett Anderton led a discussion on the cohort default rate (CDR) calculation and its implications for a school’s Title IV-eligibility; walked attendees through due diligence activities required of schools and lenders; and emphasized the benefits of entrance and exit counseling. Anderton also recommended strategies that could help in default aversion, including, among many other suggestions:

- Identifying students at risk of default and offering them extra counseling throughout college;
- Educating students in financial literacy from admission through graduation; and
- Introducing default management information into the classroom.

## **Transitioning to a 3-year cohort default rate**

The scope is broadening for one of the key indicators of a institution’s default aversion efforts — its CDR. CDRs will be calculated on a 2-year and a 3-year basis for FY 2009, FY 2010, and FY 2011. After FY 2011, 3-year CDRs will be used exclusively. Joe Braxton, a TG default aversion consultant, focused on the new 3-year CDR in the “Transitioning to a 3-year Cohort Default Rate” conference session offered on Wednesday, April 7. Braxton outlined the transition process from the 2-year to 3-year calculation, discussed the repercussions of a high CDR, and detailed the appeals process for schools challenging a CDR.

In light of the shift to the FDLP, Braxton and a number of attendees emphasized the importance of maintaining strong communication with borrowers. To minimize confusion, borrowers should be made aware of the July 1 change in the federal student loan programs and put in touch with any and all servicers for their loans. Braxton also emphasized the ongoing role of TG and other guarantors in helping borrowers through repayment. He noted that TG would continue to service all loans in its portfolio that are first disbursed before July 1.

## **The truth about defaults**

“The Truth about Defaults” presentation, which was designed to provide attendees with information that they can use to strengthen campus default aversion efforts, took a novel approach to the topic. A TG panel made up of research analyst Matt Steiner, managing communications editor Kelly Kaelin, and Joe Braxton considered a variety of commonly asked questions about default and provided answers from three different perspectives: researcher, policy expert, and practitioner.

Panelists each gave a short response to questions such as: “Does a student decrease his or her risk of defaulting by progressing further into, but not completing, his or her program of study?” The answer statistically speaking is that the more a student has completed of a degree program, the less likely that person is to default, even if that person borrowed a significant amount. In terms of policy, Kaelin, who has worked many years on TG’s policy and regulatory affairs team, noted that schools might monitor a student’s satisfactory academic progress more frequently in order to better support that student through college and increase their likelihood of persisting and graduating. For someone working in the field with students, Braxton recommended that schools form retention committees and focus on initiatives for promoting student success.

Here’s another question which generated much discussion: “Which characteristics play a determining role in whether a student defaults?” According to Steiner, research indicates that a student’s college grade point average (GPA) is the best predictor of default. The lower the GPA, the less likely the student will be to pay off a loan, if he or she withdraws without completing a degree. Steiner added that other factors certainly may play a part, such as income status, but that academic success in a program of study tends to lead to repayment success.

### **Creating a successful campus default aversion program**

When it comes to default aversion programs, one size does not fit all, according to Rett Anderton. In introducing this Thursday afternoon conference session, Anderton said that schools should tailor their programs to fit student needs. Co-presenters, one from a proprietary school and one from a community college, illustrated this point well, describing how they each implemented a default aversion program for their unique student populations.

Sarah Arno of Tri-State Cosmetology, located in El Paso, Texas, noted that orientation is the key point of contact between the financial aid office and new students at her school. She offered a roster of program enhancements that have helped cut her institution’s CDR in half, including:

- Training faculty in default aversion;
- Monitoring attendance to identify at-risk students and provide additional default counseling as needed;
- Offering default management help at every new student orientation;
- Providing job placement services; and
- Visiting delinquent and defaulted borrowers to remind them in-person of their repayment obligations.

Jennifer Steed of Grayson County College, which serves the Dallas-Fort Worth Area, agreed that faculty can play an important role in default aversion, especially as they remind their students during class of repayment obligations or introduce examples into teaching that illustrate good repayment habits. She noted a variety of other practices which have helped students, such as:

- Performing exit counseling in-person;
- Offering annual entrance and exit counseling sessions; and
- Providing financial literacy materials and training throughout college.

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Visit *TG Online* if you'd like to [view presentation materials for this year's TG Annual Training Conference](#). Slides for most but not all presentations are available. If you have questions about this year's agenda or future events, contact TG event planning coordinator Judith Cunningham at (800) 252-9743, ext. 2905, or send an e-mail message to [judith.cunningham@tgscl.org](mailto:judith.cunningham@tgscl.org).

## **Industry expert leads discussion on financial literacy research**

At an April 7 conference session, Dr. Kim Davis of the Consumer Science Department at Texas State University made the case that more and better research is necessary in the area of financial literacy.

In Davis's view, an enthusiastic and knowledgeable teacher should deliver standards-based training on financial literacy material that students find relevant and engaging. Solid research will be able to help refine training topics and approach, according to Davis. However, the financial literacy field is in need of some guidance in terms of standard-setting.

"Currently, there is no national standard of what the core competencies are, or when students should encounter particular concepts," said Davis. "We have research trying to find out if the training can produce behavioral change, and the training is not standardized. On the face of it, that's problematic."

Several factors complicate research. Financial literacy researchers come from several different academic disciplines, including psychology, sociology, and economics. They employ a range of different methodologies, which results in inconsistent and even contradictory findings. One 2009 study showed that people in states with financial literacy programs tend to be better at saving money, tend to pay fewer bank fees, and tend to do a better job of paying off credit card balances. A different study, also done in 2009, found no improvement in savings rates after

states implemented financial literacy mandates. Taken as a whole, contradictory findings of this sort don't provide a clear road map for educators to follow.

Davis noted that critical thinking skills can lead to better financial decisions. Consumers tend to be swayed by emotional or unconscious factors if they aren't thinking critically. To illustrate, Davis described how she initially preferred a set of car tires simply because her father used to buy them. When she did some research online, she found that other tires had a better customer satisfaction rating. "We've all got these old tapes still playing in our heads," she said, "and critical thinking will get us past those automatic reactions."

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## **TG adds more tools to its Federal Direct Loan Program resources page**

As a service to its customers, TG developed the [Federal Direct Loan Program resources page](#) on *TG Online*, which will be updated as the effective date of the legislation approaches.

Recent postings to the page include an electronic announcement from ED's Bill Taggart, FSA chief operating officer, highlighting the importance of transitioning to the Federal Direct Loan Program (FDLP) as a result of the recent passage of the Health Care and Education Reconciliation Act of 2010 (HCERA). The announcement, released on April 12, stresses the importance of prompt action and urges that it's not too late to make the transition.

In addition, TG has developed templates that a school can use to communicate with students, parents, and the general public about its transition to the FDLP. The templates, which include an e-mail message to students, an e-mail message to parents, and a press release, contain basic information to help you convey this change to those you serve. The text of the press release could be adapted for a posting to your school's or financial aid office's Web site.

### **More transition support**

If you have a question about your school's efforts to convert to the FDLP, contact TG customer assistance at (800) 845-6267 or by e-mail at [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org).

## Industry Update

### 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 April 2010 *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
00316505	<b>Oklahoma Christian University- Cascade College</b> 9101 E. Burnside Portland, OR 97216-1515	N/A	12/18/2009

### News Briefs

A new government report shows a dramatically shifting picture of higher education. According to the latest edition of the *Digest of Education Statistics*, published annually by the National Center for Education Statistics (NCES), enrollment in degree-granting institutions increased 32 percent over the last decade. Perhaps keeping pace with this number, the average amount of financial aid awarded to full-time undergraduates has grown by one-third. Hispanic students attending college rose from 3 to 12 percent. And online education has grown significantly in popularity; in 2007, the University of Phoenix enrolled well over 200,000 students. According to the NCES, the *Digest* provides summary information on all phases of American education — prekindergarten through graduate school. The *Digest* offers data on the number of schools and colleges, teachers, enrollments, and graduates, in addition to educational attainment, finances, and federal funds for education. [Learn more about the latest \*Digest of Education Statistics\* online.](#)



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