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Inside this issue

Smart Solutions

TG has put together a Web page of tools and resources to help schools transitioning to the Federal Direct Loan Program (FDLP). This Web page of FDLP information contains a checklist for completing the transition process, a link to a collection of TG-developed Q&As, and numerous ED resources.

Industry Update

Focus on the FDLP transition: reallocations, returns, and reinstatements

As described in the March 26, 2010, special edition of *Shoptalk* 546, the Health Care and Education Reconciliation Act of 2010 (HCERA, Public Law 111-152) set June 30, 2010, as the last date for new loan originations under the Federal Family Education Loan Program (FFELP). Under this new law, all Stafford, PLUS, and Consolidation loans first disbursed (i.e., the transfer of funds to the school or, in the case of a Consolidation loan, the transfer of funds from the loan holder to the consolidating lender) on or after July 1, 2010, will be made under the Federal Direct Loan Program (FDLP).

Shoptalk editions 546 and 551 provided schools with information on managing summer loans as the July 1, 2010, effective date approaches; these articles also highlighted other information relevant to the conclusion of FFELP originations.

The National Council of Higher Education Loan Programs (NCHELP) Program Regulations Committee has worked with ED to provide further details with regard to reallocations, returns, and reinstatements of loans first disbursed before July 1, 2010.

Q.: If a FFELP Stafford loan is first disbursed before July 1, 2010, and later a reallocation of funds is needed, is this allowed?

A.: It depends on the nature of the Stafford loan that was first disbursed before July 1, 2010:

- Yes, a reallocation between subsidized and unsubsidized Stafford loans may take place on or after July 1, 2010, if both the subsidized and unsubsidized loans were first disbursed before July 1, 2010, and both of those loans "stand" (were not cancelled or were cancelled but rescheduled and disbursed before July 1, 2010).
- No, such a reallocation may not take place on or after July 1, 2010, if the Stafford Loan first disbursed before July 1, 2010, was only a subsidized loan or only an unsubsidized loan.

Q.: The first disbursement of a FFELP loan is made before July 1, 2010. A second disbursement is scheduled to be made on August 25, 2010. The school returns the first disbursement on July 15, 2010. Will the lender be allowed to make the second and any subsequent disbursements of the FFELP loan?

A.: No. The final first disbursement must take place before July 1, 2010, for the remainder of the loan to be disbursed as a FFELP loan. In this case, the first disbursement meets the "before July 1, 2010," requirement, but it is cancelled on or after July 1, 2010. Under these circumstances, the lender must cancel the second and all subsequent disbursements of the loan. However, if a cancelled first disbursement can be rescheduled — and the rescheduled disbursement takes place before July 1, 2010 — the remaining FFELP disbursements may take place. The final first disbursement (original or rescheduled) also must “stand” (were not cancelled or were cancelled but rescheduled and disbursed before July 1, 2010) for the remaining disbursements to be made as FFELP disbursements.

Q.: The first disbursement of a FFELP loan is made before July 1, 2010. The second disbursement is made on August 5, 2010. The school returns and cancels the first disbursement on August 15, 2010, after the second disbursement is made. How should the school handle this situation?

A.: If a school must return and cancel the first disbursement after June 30, 2010, it must also return any other funds for the loan that have been disbursed to the school and cancel any other pending disbursements for the loan. The school may then be able to originate a Direct loan.

Q.: If the first disbursement of a FFELP loan made before July 1, 2010, is returned on or after July 1, 2010, must subsequent disbursements of the loan also made before July 1, 2010, be returned?

A.: No.

Q.: If a Consolidation loan is made before July 1, 2010, can the loan amount be increased on or after July 1, 2010?

A.: Yes. An increase can occur if the borrower requests to add eligible loans to the Consolidation loan within the 180-day, add-on period or when the payoff amount owed to the lender(s) is higher than the amount originally paid.

Q.: A FFELP loan is guaranteed for $2,000 and the first disbursement is made before July 1, 2010. On or after July 1, 2010, the school determines that the borrower is eligible for additional loan funds and sends a request to increase the loan amount by $500. Can the increased amount be added to the loan?

A.: Yes. A school may request an increase if the lender’s system treats this as an adjustment to an existing loan that was first disbursed before July 1, 2010. If the lender’s system treats this kind of “positive” adjustment as a new loan that requires a new certification by the school, the school may request an increase only if the first disbursement of that supplemental loan is also first disbursed before July 1, 2010.

More information

TG provides information and resources to assist schools in the FDLP transition process. For questions, contact your account executive at (800) 252-9743. You can also contact TG’s customer assistance at (800) 845-6267, or send an e-mail message to cust.assist@tgslc.org.

TG’s website offers resources pertaining to conclusion of FFELP originations, Federal Direct Loan Program resources, and questions and answers (Q&As).

Additional information is available here:

- ED's Direct Loans page
- 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

ED releases operational guidance on implementation of revised 2010-11 Federal Pell Grant Payment and Disbursement Schedules

On April 8, 2010, in *Dear Colleague Letter* (DCL) P-10-03, ED provided schools with revised payment and disbursement schedules for determining Federal Pell Grant (Pell Grant) awards for the 2010-11 Award Year. These schedules replace the schedules that were published on January 13, 2010, and must be used for all 2010-11 Pell Grant award calculations, including those for students who may have already been awarded based on the January 13, 2010, schedules.

In ED's May 5, 2010, electronic announcement, ED provides information on how modifications to its systems affect:

- The Central Processing System (CPS),
- The Institutional Student Information Record (ISIR) Analysis Tool,
- The Common Origination and Disbursement (COD) System, and
- The EDExpress for Windows software.

Impact on the CPS

Beginning with the May 6, 2010, compute, the CPS will use the revised Pell Grant payment and disbursement schedules for 2010-11 to calculate Pell Grant eligibility and estimated Pell Grant Scheduled Award amounts for all new 2010-11 Free Applications for Federal Student Aid (FAFSAs), as well as for corrections to FAFSAs filed earlier than May 6, 2010.

As part of the CPS system update, ED will also update its Student Aid Report (SAR) print operations and FAFSA on the Web confirmation page functionality to display estimated Pell Grant Scheduled Award amounts based on the revised schedules.

After ED implements the changes in the CPS, it will need to reprocess records for students who applied for 2010-11 before the May 6, 2010, compute and who were not, based upon the old schedules, eligible for a 2010-11 Pell Grant but who may now be eligible. This reprocessing will take place on May 18, 2010. ED estimates that fewer than 250,000 students will be affected.

The May 18, 2010, reprocessing will create a new transaction for any record with an Expected Family Contribution (EFC) between 4618 (the outdated schedule's maximum

EFC) and 5273 (the revised schedule's maximum EFC) to be "Pell-eligible." New 2010-11 SARs/ISIRs will be generated for students affected by this reprocessing.

As discussed in DCL P-10-03, the revised Pell Grant payment and disbursement schedules may result in a lower Scheduled Award for some students who were previously identified as Pell-eligible, depending on the student's cost of attendance; this includes students who enroll less than half time. The May 18, 2010, CPS reprocessing will not result in a new transaction or SAR/ISIR for these students, since they remain Pell-eligible.

Impact on the ISIR Analysis Tool

The 2010-11 ISIR Analysis Tool, which will be available through the FAA Main Menu of the FAA Access to CPS Online Web site in mid-May 2010, will reflect 2010-11 Pell Grant awards based on the revised schedules.

Impact on the COD System

On May 25, 2010, ED will implement the revised 2010-11 Pell Grant payment and disbursement schedules in the COD System, with full implementation in place by May 26, 2010. Schools that have already awarded students based on the January 13, 2010, Pell Grant schedules must re-evaluate how the revised Pell Grant schedule may impact those awards. This is particularly important for students who have a Pell Grant Cost of Attendance (COA) less than $5,550 or who attend school less than full time.

Schools should keep in mind that the COD System cannot accept updates to 2010-11 Pell Grant awards using the revised schedules before May 26, 2010. Records sent to the COD System before May 26, 2010, will be evaluated by the COD System using the January 13, 2010, Pell Grant schedules, and will need to be corrected on or after May 26, 2010. ED encourages schools to submit revised Pell Grant records to the COD System on or after May 26, 2010.

See ED's May 5, 2010, electronic announcement for specific details on:

- Submitting records to the COD system on or after May 26, 2010, for newly Pell-eligible students and
- Submitting records to the COD system on or after May 26, 2010 for students with decreased awards.

Impact on EDExpress

EDExpress 3.0, is scheduled for release on May 28, 2010. This release will update the Packaging and Pell Grant modules to use the revised 2010-11 schedules when packaging records or calculating Pell Grant award amounts. (Packaging and Pell Grant modules in EDExpress Release 1.0 and Release 2.0 used the outdated 2010-11 schedules established to calculate Pell Grant awards.)

EDExpress Packaging users who want to manually add or adjust Pell Grant awards according to the revised schedules before Release 3.0 is available must use the Pell Grant payment and disbursement schedules in DCL P-10-03. Note that EDExpress users will not be able to import increased Pell Grant awards from Packaging records into the Pell module until Release 3.0 is installed.

After Release 3.0 is available, EDExpress users who already packaged students using Release 1.0 or Release 2.0 should repackage those students using Release 3.0 to ensure an accurate Pell award.

More from ED

ED will provide further details about the CPS reprocessing — including how to identify the reprocessed records and message class information — and information in regard to the 2010-11 Pell Grant funding and actual disbursement submissions via COD in a forthcoming electronic announcement on the IFAP website.

If you have questions regarding the implementation of the revised Pell Grant payment and disbursement schedules in the COD System, contact the COD School Relations Center at (800) 474-7268, or send an e-mail message to CODSupport@acs-inc.com.

If you have questions regarding the updates to the CPS, the ISIR Analysis Tool, or EDExpress, contact CPS/SAIG Technical Support at (800) 330-5947 (TDD/TTY (800) 511-5806), or send an e-mail message to CPSSAIG@ed.gov.

More information

ED's May 5, 2010, electronic announcement is available in its entirety for download from the IFAP website.

Third amended and restated Put agreement available from ED

The Department of Education (ED) recently released Electronic Announcement (E-ANN) #85, which supersedes E-ANN #73. E-ANN #85 includes an executed Third Amended and Restated Put Agreement among ED, Straight- A Funding, LLC, and The Bank of New York Mellon, dated April 26, 2010. The Put Agreement is in regard to the Asset Backed Commercial Paper Conduit authorized by the Ensuring Continued Access to Student Loans Act of 2008 (Pub. Law 110-227, ECASLA).

More information

The complete May 5, 2010, announcement is available for download on ED's ECASLA website.

ED provides an overview of professional judgment as a recorded training

In *Dear Colleague Letter* (DCL) ANN-10-17, ED announced the availability of a 50-minute recorded training session that provides a complete overview of the professional judgment process. Corresponding slides and transcript are also available.

No recording key is required to view these sessions; however, a school user must enter his or her name to access the recording.

The recorded training session includes the following information:

- Statutory basis and rationale for the authority to use professional judgment
- Types of professional judgment
- Prohibitions when exercising professional judgment
- Examination of ED's recent guidance (DCLs) related to professional judgment

More information

If you have questions about professional judgment or related issues, contact TG customer assistance at (800) 845-6267, or send an e-mail message to cust.assist@tgslc.org. Alternatively, contact ED training officer Kevin Campbell at kevin.campbell@ed.gov.

New communication tool available for foreign schools participating in FDLP

Recently the Department of Education (ED) posted its inaugural Foreign School Update, FS-2010-01. ED will utilize this communication method to convey important information that is specific to schools located outside the United States (commonly referred to as foreign schools). Changes made by the Health Care and Education Reconciliation Act of 2010 (HCERA) allow foreign schools to participate in the Federal Direct Loan Program (FDLP), beginning July 1, 2010.

Foreign schools will need to monitor Foreign School Updates, as well as Electronic Announcements, and *Dear Colleague Letters* (DCLs), for complete operational and policy guidance — all of which are available on ED's Information for Financial Aid Professional's website.

The subject for this first Foreign School Update is an e-mail message sent on May 3, 2010, to financial aid administrators at foreign schools that are currently participating in the Federal Family Education Loan Program (FFELP). The message announced several new developments to assist foreign schools in transitioning to the FDLP, including:

- Foreign School Information Web Page
- Foreign School Direct Loan Training Workshops (see DCL ANN-10-16)
- Foreign School Direct Loan Setup Information
- Federal Student Loan Application Process

ED contact for foreign schools

If you have questions or need assistance, send an e-mail message to ED's specialized Direct Loan enrollment team. This team will be the point of contact for foreign schools for getting any and all questions answered as expeditiously as possible.

TG assistance

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

Enforcement date for "Red Flags" rule approaching

Even though the "Red Flags" rule was not issued by ED, on May 6, 2010, ED posted an update and helpful reminder to schools that the enforcement date of June 1, 2010 is approaching. The "Red Flags" rule applies to schools participating in the Federal Perkins Loan Program and may also apply to other programs administered by a school.

The "Red Flags" rule was issued on November 9, 2007, by the Federal Trade Commission (FTC) and requires financial institutions and creditors to develop and implement a written identity theft prevention program to detect, prevent, and respond to patterns, practices, or specific activities that may indicate identity theft. The "Red Flags" rule became effective January 1, 2008, with a mandatory compliance date of November 1, 2008.

On October 22, 2008, the FTC granted a delay of enforcement of the new "Red Flags" rule until May 1, 2009, to give creditors and financial institutions (including some postsecondary schools) additional time to develop and implement written identity theft prevention programs. However, On October 30, 2009, at the request of Members of Congress, the FTC granted another delay of enforcement of the new "Red Flags Rule" until June 1, 2010. This does not mean that the "Red Flags" rule is not in effect, but only that the FTC will not enforce the rule until June 1, 2010.

More information

To help financial institutions and creditors subject to enforcement by the FTC under the "Red Flags" rule, the FTC suggests that institutions review "Fighting Fraud with the Red Flags Rule: A How-To Guide for Business" in order to:

- Find out if the rule applies to them;
- Get practical tips on spotting the red flags of identity theft, taking steps to prevent the crime, and mitigating the damage it inflicts; and
- Learn how to put in place a written Identity Theft Prevention Program.

The FTC offers additional resources, frequently asked questions, and a "Getting Red Flags Ready" video on its website.

TG Report

TG's sessions at NASFAA Annual Conference to focus on regulatory issues and Income-Based Repayment

The National Association of Student Financial Aid Administrators (NASFAA) will hold its 2010 conference in the Mile High City of Denver from July 18-21. Given this landmark year of industry change, NASFAA's annual conference agenda maintains a firm focus on the regulatory and policy issues that matter to schools. TG echoes that theme with its sessions — one that allows participants to learn and share policy knowledge and another that provides an in-depth look at the latest borrower repayment plan, Income-Based Repayment.

Here's a short summary of each session.

- **Show what you know:** Learn more about some of the most recent changes in federal student aid policy, regulations, and law in this interactive session designed in a game format. Questions on a variety of student aid issues are presented on a screen. Attendees "click" or choose answers using remote control devices and then learn the answer instantly. The experience is fun and leaves attendees with valuable, practical information.

  Times
  - Monday, July 19, 1:30 p.m.-2:45 p.m. (for school financial aid administrators)
  - Tuesday, July 20, 3:30 p.m.-4:45 p.m. (for graduate and professional financial aid administrators)

- **IBR — A tool to help students manage repayment:** A panel of industry experts will offer a high-level overview of the features of the Income-Based Repayment (IBR) plan and discuss how it can help borrowers manage their student loan repayment. Comprised of representatives from a school, a lender, and a guarantor, the group will describe how it has implemented IBR in business operations, processes, and communications. Panelists will also speak about their efforts to educate borrowers about the value of this new repayment plan and answer questions from the audience.

  Time
  - Tuesday, July 20, 2 p.m.-3:15 p.m.

More information

To learn more about the conference, and to view the agenda, visit NASFAA National Conference 2010. Find out more about TG's regulatory training offered through the TG Speakers Bureau by reviewing the online training catalog.

TG announces June financial literacy symposium in Ohio

TG invites you to explore new financial literacy ideas at the upcoming financial literacy symposium scheduled for Tuesday, June 8, in Columbus, Ohio. This free, one-day event hosted at Ohio State University has been designed to help colleges and universities advance their campus financial literacy efforts.

Presenters from the Ohio State University, Tally Hart, senior advisor of Economic Access Initiative, and Kate Trombitas, assistant director of the Student Wellness Center, will share their experiences in building an on-campus financial literacy program.

The symposium, which will run from 9 a.m.-3:30 p.m. Eastern Time, will offer the following sessions:

- **A financial literacy case study:** Learn about real-world examples of programs that show how such efforts can make a difference for families and students.
- **Roundtable discussion:** Discuss the case study, ask questions, and share your insights with peer participants.
- **Program debrief:** Consider general best practices in financial literacy, share lessons learned from your campus implementation, and address some of the common concerns about implementing a financial literacy program.
- **Building a community:** Learn about TG's Positive+Balance Community℠, a social networking site created to motivate dialogue on financial literacy among financial aid professionals.
- **TG resources:** Explore how TG's offerings can support campus financial literacy efforts, and share your suggestions on future resources.

To register

Join TG for its Ohio Financial Literacy Symposium, or register for another symposium event through *TG Online*.

To learn more

For questions about the 2010 TG Financial Literacy Symposia, please contact TG marketing segment manager Margie Harvey at (800) 252-9743, or send an e-mail message to margery.harvey@tgslc.org.

Loan management tool, myTG℠, replaces SLI for TG borrowers

On May 15, TG will remove borrower access to Student Loan Inquiry (SLI). SLI is a self-service resource provided to borrowers seeking information on their TG-guaranteed loans, including data on loan balances and current loan holder.

After May 15, borrowers attempting to access SLI will be redirected to myTG℠. The myTG portal is TG's account management tool. For borrowers with TG-guaranteed loans, myTG provides secure online access to view loan summary and details, update personal information, and download forms. Borrowers with loans in default can also make payments online and check their payment history.

Schools will retain the ability to access SLI via AdvanTG Web™, TG's application and loan management system. SLI is located in the Helpful Resources section of AdvanTG Web's portal page.

Questions

For help regarding these changes, please contact TG's product support team at (800) 332-1455, or send an e-mail message to product.support@tgslc.org.

Policy Resources

Ask the Policy Expert

Q.: **Does a borrower who obtained a personal information number, or PIN number, for FFELP loan records online have to get a new PIN number for a new FDLP loan?**

A.: No. The same PIN number can be used. In addition, if a borrower forgets his or her PIN number, a duplicate PIN number can be obtained online. A borrower is also able to change, disable, reestablish, and activate his or her PIN at this same website.

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

Social media is a rising star on many college campuses but not just on the laptops and PCs of students. More than 50 percent of faculty report using social media in class or as part of curriculum, including podcasts, blogs, and wikis. According to a new survey conducted by the Babson Survey Research Group in collaboration with New Marketing Labs and Pearson, more than 30 percent of college instructors also use social networks to communicate with students, and nearly one-third use social networks to communicate with colleagues. Learn more about findings from the "Social Media in Higher Education" survey.

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To ask questions about *Shoptalk*, please contact Communications at (800) 252-9743, ext. 4732, or send an e-mail message to communications@tgslc.org.

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