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Smart Solutions

Remind your May graduates of their student loan obligations. *TG Online* offers an overview of “[Repaying Your Student Loan: Responsibilities and Obligations](#),” located in the “Borrowers” section of *TG Online* (www.tgslc.org) under “Learn about Student Loan Repayment.”

Industry Update

Significant changes made to incentive compensation rules

ED has made substantial changes to current rules on “incentive compensation” to clearly prohibit any incentive-based payments by schools to a person or entity

involved in student recruitment, admissions, or financial aid awards, including management personnel responsible for these activities.

History of incentive compensation rules

To better understand these changes, some historical perspective may be useful.

During the 1992 Higher Education Act (HEA) reauthorization, a provision was added to the statute to prohibit incentive-based compensation to the types of individuals and entities described above. This change was made in response to a range of inappropriate practices outlined in a publication entitled *Abuses in Federal Student Aid* produced by a U.S. Senate committee led by Senator Sam Nunn.

In 2002, a set of 12 “safe harbors” was added to the Title IV program rules to specify certain types of payment and compensation plans that would not be considered to violate the statutory provision.

During the negotiated rulemaking process conducted last winter, the 12 safe harbor provisions were re-examined to determine if they should be retained, amended, or eliminated. As explained by ED in its summary of the issue to be discussed during the negotiated rulemaking meetings:

“The Department has received complaints from students and enrollment advisors about the high-pressure sales tactics of some postsecondary institutions. Some argue that tying staff compensation to the number of students enrolled is an inherent conflict of interest and that the safe harbors undermine the statutory ban on incentive compensation. The Department has also heard from a number of educational institutions that the lack of clear guidance prior to establishment of the safe harbors made it very difficult for institutions to be confident of their compliance with the rule.”

Safe harbor provisions

The 12 safe harbor provisions in current regulations address the following topics:

- Adjustments to employee compensation
- Enrollment in programs that are not eligible for Title IV funds
- Contracts with employers to provide training
- Profit-sharing bonus plans
- Compensation based on program completion
- Pre-enrollment activities
- Managerial and supervisory employees

- Token gifts
- Profit distributions
- Internet-based activities
- Payments to third parties for non-recruitment activities
- Payments to third parties for recruitment activities

A description of each safe harbor is given in the [preamble to the proposed rules](#) (pp. 34816 – 34818).

Potential conflicts of interest

The program integrity principle embodied in the final rules is that a school's management and employees, contractors, and other third-party entities responsible for student recruitment or admissions activities, or awarding Title IV funds to students, need to avoid conflicts of interest that may arise when compensation or other payments are linked to successful outcomes in these areas.

Elimination of safe harbor provisions

After hearing from non-federal negotiators and the public during the recent negotiated rulemaking meetings, ED decided to eliminate the 12 safe harbors due to ongoing concerns about their use by schools. In doing so, however, ED clarified that 3 of the safe harbors describe permissible activities that do not require specific authorization, if performed in accordance with the governing HEA provision. These include:

- Compensation related to profit-sharing bonus plans
- Compensation based on profit distributions that are based on an individual's ownership interest
- Compensation to third parties for non-recruitment activities

Regulatory requirement

To understand the regulatory requirement, it is helpful to separately identify the components of the rule:

A school must not provide any

- commission, bonus, or other incentive payment
 - based in any part, directly or indirectly, on success in securing enrollments or the award of financial aid

- to any person or entity engaged in any student recruitment or admission activity, or in making decisions about the awarding of Title IV program funds to students.

Definitions

Three definitions are critical to understand in order to appropriately apply the above rule:

- **Commission, bonus, or other incentive payment**

“A sum of money or something of value, other than a fixed salary or wages, paid to or given to a person or an entity for services rendered.”

- **Securing enrollments or the award of financial aid**

“Activities that a person or entity engages in at any point in time through completion of an educational program for the purpose of the admission or matriculation of students for any period of time or the award of financial aid to students.”

This definition includes “contact in any form with a prospective student.” Examples of such activities are provided in the preamble to the final rule and in the regulatory language itself (p. 66950).

The definition does *not* include making a payment to a third party to obtain contact information for prospective students, *if* the payment is not based on any further action by the third party or prospective students or on the number of students who apply for enrollment, are awarded financial aid, or are enrolled for any period of time. Additional clarification and examples are provided in the preamble and in the final rule language (pp. 66950 – 66951).

- **Person engaged in any student recruitment or admission activity or in making decisions about the award of financial aid**

In addition to a person directly involved in these types of activities, the regulatory definition includes “any higher level employee with responsibility for recruitment or admission of students, or making decisions about awarding title IV, HEA program funds.” This refers to *management personnel* that are organizationally responsible for these areas. According to the preamble explanation in the final rules, even “the actions of a college president could potentially come within the HEA’s prohibition on the payment of incentive compensation.” A more detailed explanation is provided (p. 66874).

Finally, ED explains in the preamble to the final rules that the recruitment of student athletes is no different from recruitment of other students – incentive compensation payments to *athletic department staff* are also governed by this

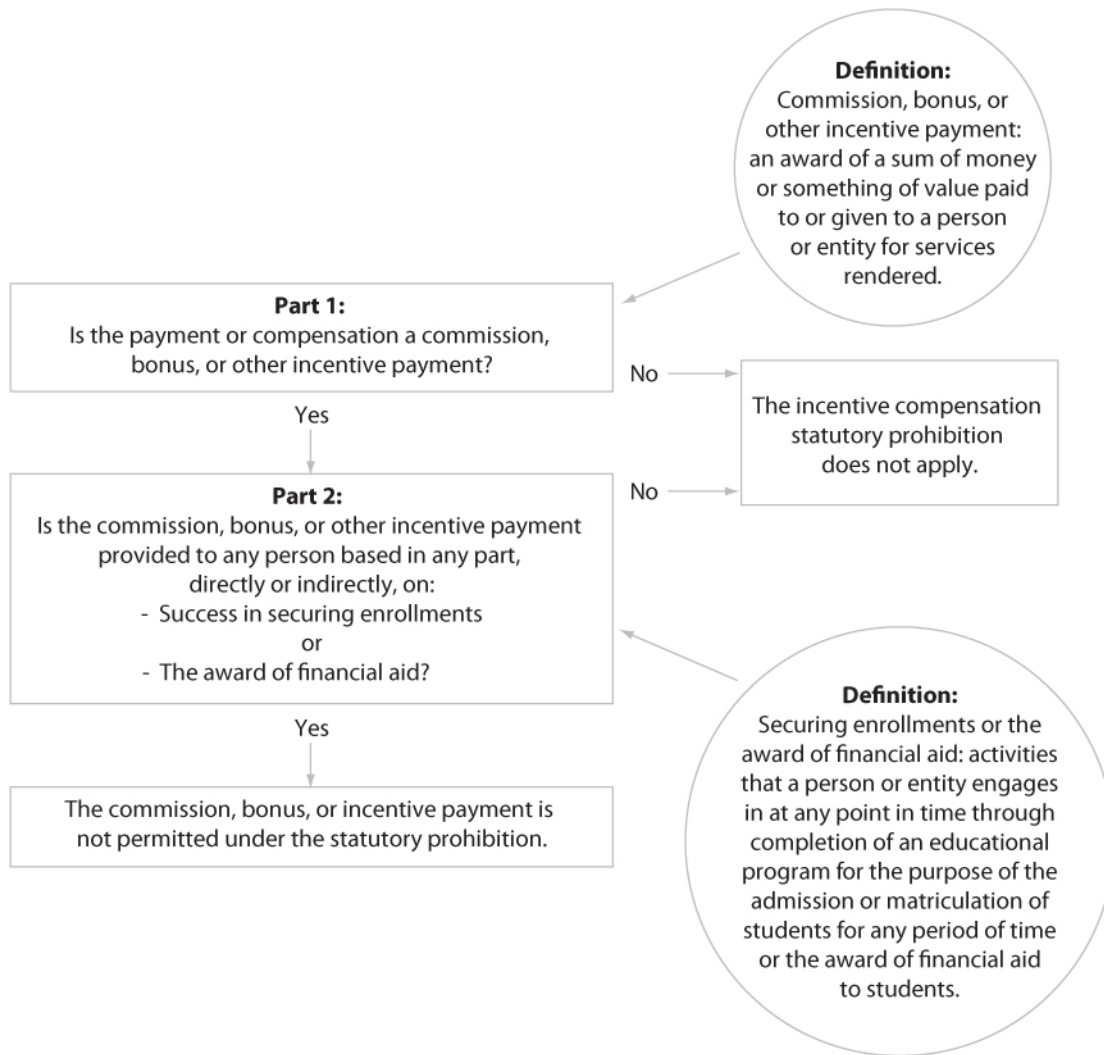
rule. However, the preamble states that “the Department does not consider ‘bonus’ payments made to coaching staff or other athletic department personnel to be prohibited if they are rewarding performance other than securing enrollment or awarding financial aid, such as a successful athletic season, team academic performance, or other measures of a successful team.” (pp. 66874 – 66875).

Two-part test

Based on these definitions, ED has provided a “two-part test” for schools to use in determining if a type of payment or compensation is permissible under the statutory provision (which is mirrored in the final rules):

- Part 1: Determine if the payment or compensation is a commission, bonus, or other incentive payment, based on the above definition.
- Part 2: Determine if the commission, bonus, or other incentive payment is provided to any person based in any part, directly or indirectly, on success in securing enrollments or the award of financial aid, based on the above definitions.
- Result: If both of these determinations are affirmative (meaning the answer is *yes*), the commission, bonus, or incentive payment is *not* permitted.

To provide a handy reference tool for schools to consult when applying ED’s two-part test, TG has created a flowchart that includes the steps and definitions used to make these determinations. (You can also open and print or save a [PDF copy of the following flowchart.](#))



Helpful clarifications

ED has provided a number of useful insights in the preamble to the final rules. Here are some highlights:

- This prohibition includes payments linked to a student’s retention or program completion.
- It does *not* include payments to a third party assisting with Internet-based recruitment and admission services *if* those payments are based on “clicks” rather than the success outcomes described above.
- School arrangements for shared services are permissible *if* payments made for such services do not violate the rule. For example, payments based on volume (rather than outcome) may be permitted.

- A school, its contractor, or another entity may make merit-based employee compensation adjustments that are *not* based in any part, directly or indirectly, on success in securing enrollments or awarding financial aid.
- If an employee receives multiple compensation adjustments in a calendar year and is engaged in any student enrollment or admission activity, or in making decisions about Title IV awards, this will be considered to be a violation *if* those adjustments are based on these activities in any manner.
- Profit-sharing payments *cannot* be made to any person engaged in student recruitment or admission activity, or in making decisions about Title IV funding awards; other individuals may receive them.
- The rule does not apply to the recruitment of foreign students residing in foreign countries who are *not* eligible to receive federal student aid funds (according to the statutory provision itself).

Implementing the final rule

The HEA already prohibits certain incentive compensation payments. The shift from current rules to the final rules issued on October 29, 2010, primarily involves eliminating any incentive-based payments that may have been permissible under a safe harbor but will not be permissible when those safe harbors expire on June 30, 2011.

As of July 1, 2011, and going forward from that point, ED indicates in the final rule preamble that “actions that were permitted under current § 668.14(b)(22) will neither be automatically prohibited, nor automatically permitted. Instead, institutions will need to re-examine their practices to ensure that they comply with § 668.14(b)(22). To the extent that a safe harbor created an exception to the statutory prohibition found in section 487(a)(20) of the HEA, its removal would establish that such an exception no longer exists.” (p. 66873).

Campus collaborations

There are specific types of activities and personnel on campus that are clearly impacted by the incentive compensation provisions: those who perform student recruitment or admission-related activities, and those who administer student financial aid responsibilities. The management personnel over these functions are also directly impacted by these provisions, according to the final rules.

There are additional areas of potential impact on campus as identified in this article and in the preambles to the [proposed](#) and [final](#) rules. These include administration officials, faculty, staff, or athletic department personnel involved in student recruitment or decision making involving federal student aid awards.

If a school uses any outside (third-party) service providers to acquire leads on prospective students or to assist students in inquiring about or applying for admission to the school, or to assist in packaging Title IV funds to prospective or enrolled students, these are additional areas where incentive compensation prohibitions may apply (subject to the clarifications provided in this article and in the *Federal Register* publications).

Given the importance of identifying all individuals and entities subject to the ban on incentive compensation and the need to re-evaluate and modify, if needed, the compensation practices or payment arrangements with such parties, it is critical for a school to complete its review as soon as possible. A financial aid officer should alert the school's administration to the importance of the changes in the final rules, since a school that improperly makes incentive-based compensation payments could lose its eligibility to participate in any of the Title IV programs. This requirement is a provision in the school's Program Participation Agreement with ED.

To learn more

For more information on the final rules for incentive compensation, as well as the other topics included in the Program Integrity final rules, please refer to the November 4, 2010, [Shoptalk special edition](#). For questions about the final regulations, please contact TG Customer Assistance at (800) 845-6267, or send an e-mail message to cust.assist@tgslc.org.

Stronger rules on misrepresentation

The Program Integrity final rules seek to strengthen ED's regulatory enforcement authority against a school that engages in substantial misrepresentation, by providing more specific, clear, and comprehensive guidance in the federal regulations.

Growing concerns

The context for these changes includes issues discussed during the negotiated rulemaking meetings last winter as well as several subsequent developments. These developments include an undercover investigation by the U.S. Government Accountability Office (GAO) that revealed problems in the marketing and recruitment practices of a number of schools; hearing testimony provided to the U.S. Senate Health, Education, Labor, and Pensions Committee in addition to the GAO's testimony; a letter from Secretary Duncan to the leadership of that committee explaining how ED intends to strengthen both its rules and its enforcement of rules; and finally a letter sent by ED's Federal Student Aid Chief Operating Officer William Taggart to the presidents of all schools participating in Title IV programs to remind them of the potential consequences of fraudulent or deceptive recruitment, admissions, and financial aid activities.

As [Mr. Taggart's letter](#) explains to school presidents, "Institutions will be held accountable for the actions of their officers, employees, agents, and contractors who engage in practices that are in violation of the provisions of the law or regulations...Your leadership is required to avoid inappropriate conduct by your staff that could lead to personal and institutional penalties."

Principles of program integrity

There are two program integrity principles underlying the regulatory changes. The first one is focused on the consumer of an educational program: a prospective student needs to have a clear understanding of any program in which he or she may enroll. The second one is focused on the provider of an educational program: a school is responsible for providing complete and accurate information about its programs.

Both of these principles place the responsibility for preventing misrepresentations directly on the school and its representatives, as ED explains in the preamble to the final rules: "The regulations are intended to make sure that institutions are on notice that the Department believes that misrepresentations constitute a serious violation of the institutions' fiduciary duty..." However, it is a "substantial misrepresentation" that will subject a school and its representatives to possible sanctions or other enforcement actions. In response to concerns raised in public comments regarding the proposed rules, ED stated repeatedly in the preamble discussion to the final rules that it will enforce these regulations "within a rule of reasonableness," taking into consideration circumstances and available facts surrounding a misrepresentation and responding in an appropriate manner.

The misrepresentation rules now explicitly encompass information provided to a school's state or accrediting agency, since these members of the "program integrity triad" also rely on the dissemination and reporting of fair and accurate information by a school. In the preamble to the final rules, ED reiterated its authority to review and act on information provided to any member of the triad, because "only the Department has the overall responsibility for preserving the propriety of the administration of the title IV, HEA programs."

Nature of rule changes

The Higher Education Act (HEA) and current Title IV program regulations stipulate that a school must not make any substantial misrepresentations regarding the following:

- Nature of the school's educational programs
- School's financial charges to students
- Employability of the school's graduates

The revised regulations address one further area of concern. A school or its representatives must not describe the school's participation in the Title IV programs in a manner that suggests approval or endorsement of the quality of the school's programs by ED.

The remaining changes to existing regulations clarify terminology and add greater specificity to the rules regarding what constitutes a "misrepresentation" and who is responsible for preventing misrepresentations. The final rules also amend current regulatory provisions regarding how ED may respond to a violation that it determines to be a "substantial misrepresentation".

Definitions

Three key definitions provide insight into the nature and scope of these federal requirements:

- **Misrepresentation** (expanded)

"Any false, erroneous or misleading statement an eligible institution, one of its representatives, or any ineligible institution, organization, or person with whom the eligible institution has an agreement to provide educational programs, or to provide marketing, advertising, recruiting or admissions services, makes directly or indirectly to a student, prospective student or any member of the public, or to an accrediting agency, to a State agency, or to the Secretary..."

This includes dissemination of a student endorsement or testimonial made under duress or because the school required the student to provide it to participate in a program.

A definition of the term "misleading statement" included in this definition is provided below.

- **Misleading statement** (new)

"Includes any statement that has the likelihood or tendency to deceive or confuse. A statement is any communication made in writing, visually, orally, or through other means."

The term "substantial misrepresentation" is also defined to describe the types of misrepresentations of greatest concern to ED.

- **Substantial misrepresentation** (unchanged)

"Any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to that person's detriment."

Finally, the rules specify what constitutes a misrepresentation of the nature of a school's educational program, its financial charges to students, or the employability of its graduates.

Nature of a school's educational program

Misrepresentation of the nature of a school's program includes false, erroneous, or misleading statements about any of the following *revised or added* items in the final rules:

- Institutional, programmatic, or specialized accreditation
- Subject matter, content, and completion credential
- Approvals, endorsements, and testimonials (and characterization of Title IV approval by ED)
- Requirements to complete a program, and grounds for termination of a student's enrollment
- Benefits of successful completion: job credentials or eligibility to take professional exams to secure jobs in the State(s) where a program is offered, or qualifications to meet additional conditions that the school knows or reasonably should know are generally required to obtain employment in a recognized occupation for which a program prepares students
- Acceptance of transferred coursework completed at another, previous school (transferability of coursework completed at the school to another, subsequent school is already in current rules)
- For a degree program, whether the degree has been authorized by the State educational agency and has received any specialized accreditation, if needed (a program's lack of these must be disclosed)

Nature of financial charges to students

Misrepresentation of the nature of a school's financial charges includes false, erroneous, or misleading statements about the following *added* items:

- Cost of a program and refund policy if a student does not complete a program
- Availability or nature of financial aid, and student's responsibility to repay educational loans
- Any requirement for a student to apply for a specific type of financial aid to enroll in a program
- Student's right to decline any type of financial aid or other assistance offered by the school

Employability of a school's graduates

Misrepresentation of the employability of a school's graduates includes false, erroneous, or misleading statements about the following *revised or added* items:

- A school's knowledge of current or likely future conditions, compensation, or opportunities for employment in the industry or occupation for which a program prepares students
- Other general requirements or necessary qualifications for employment in the field for which a program provides training (or failure to mention these)
- A school's offer of employment or a talent hunt or contest

Due to the sensitivity and complexity of these issues, many public comments were submitted on the proposed rules published earlier this year. Some significant changes were made to the proposed rules as a result of those public comments and other considerations as described in this article.

Transition from current to new rules

The effective date of the final rule changes is July 1, 2011. However, current regulations already prohibit misrepresentations by schools and their representatives.

To prepare for the July 1 implementation deadline, a school should review its current communications, reports, and disclosures to determine compliance with the final rule requirements. In addition, information-sharing policies and procedures should be reviewed to confirm that appropriate controls are in place to ensure the accuracy and approval of information shared with prospective and enrolled students, as well as other parties as described in the final rules.

Campus collaborations

To prevent potential issues or problems at the campus level, TG strongly recommends that a financial aid officer alert the school's administration to the requirements of the final rules, in follow-up to Mr. Taggart's letter to the school's president earlier this year (link provided above). The [final rules](#) include the entire set of regulatory provisions for subpart F – Misrepresentation (see pages 66958 – 66960 for the final rule language). In addition, the preamble discussions on this topic in the [proposed rules](#) and final rules provide important insights for school administrators.

Marketing, recruitment, and admissions representatives need to ensure that their communications and representations about the school are accurate and not misleading, and staff responsible for Web content needs to assist in keeping all information current. Financial aid and business officers must ensure the clarity of information regarding financial charges and financial aid pertaining to a student's

enrollment in a program. Academic advisors and placement office personnel are responsible for ensuring that information provided to prospective and enrolled students on employment requirements and prospects comply with these rules, and registrar staff must ensure that information on transferability of coursework is clearly explained.

Finally, it is important to keep in mind that if a school has an agreement with another school, organization, or person to provide an educational program or marketing, advertising, recruiting, or admissions services, the school is responsible for ensuring that those parties also comply with these regulatory requirements.

To learn more

For more information on revised regulations, as well as the other topics included in the Program Integrity final rules, please refer to the November 4, 2010, *Shoptalk special edition*. For questions about the final regulations, please contact TG Customer Assistance at (800) 845-6267, or send an e-mail message to cust.assist@tgsic.org.

New requirement to evaluate the validity of a high school diploma

Effective July 1, 2011, the Program Integrity final rules require a school to develop and follow procedures to evaluate the validity of a student's high school diploma if the school or ED has reason to believe that the high school diploma is not valid or was not obtained from an entity that provides secondary school education.

According to ED, this requirement is designed to reduce the number of students who indicate that they have a high school diploma, but do not, or who possess only a high school completion credential from a "diploma mill."

The new requirement also addresses a recent recommendation from the U.S. Government Accountability Office (GAO). In a report issued in August 2009, GAO recommended that ED provide schools with information and guidance on determining the validity of high school diplomas for use in gaining access to federal student aid funds.

A new question on the 2011–2012 *Free Application for Federal Student Aid* (FAFSA) will ask the applicant to provide the name of the high school where he or she received or will receive a diploma, along with the city and state where the school is located. For a user of the online *FAFSA on the Web* application, a drop-down list of public and private high schools will be available to facilitate the completion of this question. The list of schools will be provided by ED's National Center for Education Statistics (NCES).

Applicants completing the *FAFSA on the Web* will not be permitted to skip this question. However, for the 2011–2012 award year, the question will be presented only to first-time undergraduate students.

Applicants whose high schools are not included in the online drop-down list, or who complete a paper FAFSA, will write in the name, city, and state of the high school. In the preamble to the final rules, ED indicates that applicants who leave this question blank will not be selected for verification solely because the high school information was not provided.

ED emphasizes in the final rule preamble that a school's inclusion in the *FAFSA on the Web* drop-down list does not necessarily mean that it is a valid high school (nor would its inclusion satisfy the validation requirement). Conversely, if a school is not listed, its exclusion does not necessarily indicate that it is not a legitimate high school. A high school that closes will not be removed from the list.

ED also emphasizes that although the high school identification question on the *FAFSA on the Web* will be provided only to first-time undergraduate students in 2011–2012, the requirement to validate a student's high school diploma if the school or ED has reason to question the student's high school completion or credential applies to *all* students.

ED provides several other helpful insights on this new requirement in the preamble to the final rules:

- The requirement to validate a high school diploma does not apply to homeschooled students.
- There are several types of documentation that a school may wish to consider in developing its procedures for evaluating the validity of a student's high school diploma. A copy of the high school diploma itself may be useful to examine. A high school transcript may also be a valuable tool because it reveals the extent of the secondary school education received. ED does not believe that a school needs any special qualifications to make a determination of the validity of a diploma.
- A certified statement from a student attesting to the validity of a high school diploma is not sufficient.
- Financial aid officers are encouraged to consult with each other, especially among similar schools located in the same State, to develop appropriate validation procedures based on the level of oversight provided by the State's department of education.
- According to ED, diplomas issued by unaccredited high schools "often meet college admissions standards and are generally acceptable for receiving title IV, HEA aid. We have noted for several years in the *Federal*

Student Aid Handbook that high schools do not need to be accredited for their diplomas to be acceptable for title IV, HEA eligibility.”

- ED plans to rely on a school’s determination as to whether a student’s diploma appears to be valid, provided the school has developed and followed reasonable procedures for making such a determination. If a student disagrees with a school’s determination, or if different schools reach different conclusions as to the validity of a diploma, ED does not plan to provide for a student appeal or to intervene with schools to resolve differences in determinations.
- A school will not be expected to compare the high school information listed on the Institutional Student Information Record (ISIR) with other information obtained by the school for every student during the admissions process. However, if a school or ED has reason to believe that a high school diploma is not valid, the school must follow its validation procedures.
- For students who attend high school in a foreign country, ED notes that there are companies that provide services for determining the validity of foreign secondary school diplomas.

If a school is unable to determine if a student’s high school diploma is valid, the school may consider alternative means by which the student may establish eligibility to receive Title IV program funds. These include the use of a recognized equivalent of a high school diploma (e.g., a GED credential) or demonstration of the student’s ability to benefit from the school’s postsecondary program. Ability-to-benefit (ATB) options include passage of an exam approved by ED for this purpose, or successful completion of six credits or 225 clock hours of postsecondary coursework applicable to a program offered by the school. For more details on ATB rules and recent changes to those requirements, refer to TG’s recent [Shoptalk article](#) on that topic.

In response to a public comment asking if a school may forego diploma validation for a student that passes an ATB exam or successfully completes six credits as described above, ED reminds schools that although a student is permitted to use these alternate means to establish eligibility for Title IV funds, federal school eligibility requirements stipulate that a school must admit as regular students only those with a high school diploma or its recognized equivalent, or those beyond the age of compulsory school attendance.

Finally, ED plans to provide more specific guidance to schools on this topic via a Dear Colleague Letter or electronic announcement, as well as updated guidance in the *Federal Student Aid Handbook*.

Implementation time frame

ED states in the preamble to the final rules, “This requirement will apply to institutions beginning on July 1, 2011, the effective date for these regulations. This means that institutions will be required to follow the procedures developed under §668.16(p) for any applicant who completes a FAFSA beginning with the 2011-2012 award year.”

Campus collaborations

Financial aid officers should begin to consider possible approaches to validate a student’s high school diploma, while anticipating additional ED guidance. ED indicates in the final rule preamble that many schools already evaluate a student’s high school program completion during the admissions process, so consultation with admissions staff may be the best place to begin on campus collaborations to implement the new requirement.

Also, if a school is unable to validate a student’s high school diploma, admissions and financial aid officials may wish to consider the possibility of having a student use the ATB provisions to establish Title IV eligibility, in lieu of a high school diploma. If so, there may be a need for additional campus collaborations. For more details on ATB processes, refer to TG’s recent *Shoptalk* article referenced earlier in this article.

To learn more

For more information on this new regulation, as well as other topics included in the Program Integrity final rules, please refer to the November 4, 2010, *Shoptalk special edition*. For questions about the final regulations, contact TG Customer Assistance at (800) 845-6267, or send an e-mail message to cust.assist@tgsic.org.

Legislative update

The recent General Election has created a split government that may make it difficult to pass any higher education-related legislative reform, at a time when the industry faces such potential challenges as increasing student loan default rates, implementing cost-control measures to address funding shortages, and school risk-sharing (which was previously addressed by guarantors and lenders for schools participating in the FFELP). The one student financial aid topic likely to garner the most attention in the next two years will be funding for the federal Pell Grant program, which again is facing funding shortages based on increasing enrollments as many Americans return to school due to a sagging economy and a difficult labor market.

To learn more about the effects of the latest election on federal legislation related to higher education, review TG’s [legislative update](#) online.

TG Report

TG releases NSLDS submittal schedule for 2011

TG's data reporting team has released the TG National Student Loan Data System (NSLDS) reporting schedule for 2011. Please refer to the chart below for specific submittal due dates.

- A lender sends to TG its Lender Manifest or Common Account Maintenance (CAM) records by the date in the left-hand column each month.
- Behind the scenes, TG processes the file and updates its database.
- TG then sends loan changes to the NSLDS, which updates its system, making the most current data viewable to schools by the corresponding date in the right-hand column. In this way, schools have the freshest data available on their borrowers in order to make subsequent borrower eligibility determinations.

2011 NSLDS Submittal Schedule

TG submits to NSLDS	Data viewable on NSLDS
1/7/2011	1/10/2011
1/21/2011	1/24/2011
2/11/2011	2/14/2011
2/25/2011	2/28/2011
3/11/2011	3/14/2011
3/25/2011	3/28/2011
4/08/2011	4/11/2011
4/22/2011	4/25/2011
5/13/2011	5/16/2011

5/27/2011	5/31/2011*
6/10/2011	6/13/2011
6/24/2011	6/27/2011
7/8/2011	7/11/2011
7/22/2011	7/25/2011
8/12/2011	8/15/2011
8/26/2011	8/29/2011
9/9/2011	9/12/2011
9/23/2011	9/26/2011
10/14/2011	10/17/2011
10/28/2011	10/31/2011
11/10/2011**	11/14/2011
11/23/2011**	11/28/2011
12/9/2011	12/12/2011
12/22/2011**	12/27/2011*

*Note that, due to the holiday, the data will be viewable on Tuesday instead of Monday.

** Keep in mind that, due to the holiday, lenders must have their updates in earlier that week.

More information

For more information on TG's submittal schedule, contact TG's data reporting team at good.data@tgsllc.org.

Using IDASM to reach out to Spanish-speaking borrowers

TG has released a redesigned version of its Integrated Default AssistantSM (IDASM), a multipurpose tool that helps schools track their cohort default rate (CDR) and communicate with borrowers who have delinquent student loans.

IDA has a variety of features to support higher education institutions managing student loan defaults, particularly at a time of industry change and economic challenge. One such feature is IDA's templates for communicating with borrowers who prefer Spanish, or are only fluent in Spanish.

Borrower communications templates mirror English versions

IDA's Templates feature lets your IDA Administrator manage the letter and e-mail templates that are used whenever school staff generate letters or e-mails to communicate with borrowers with delinquent loans. IDA comes with a set of standard letter and e-mail templates in both English and Spanish. These templates target borrowers by delinquency level, at five different stages of delinquency. E-mails sent to borrowers with loans that are more than 210 days delinquent are automatically flagged as urgent.

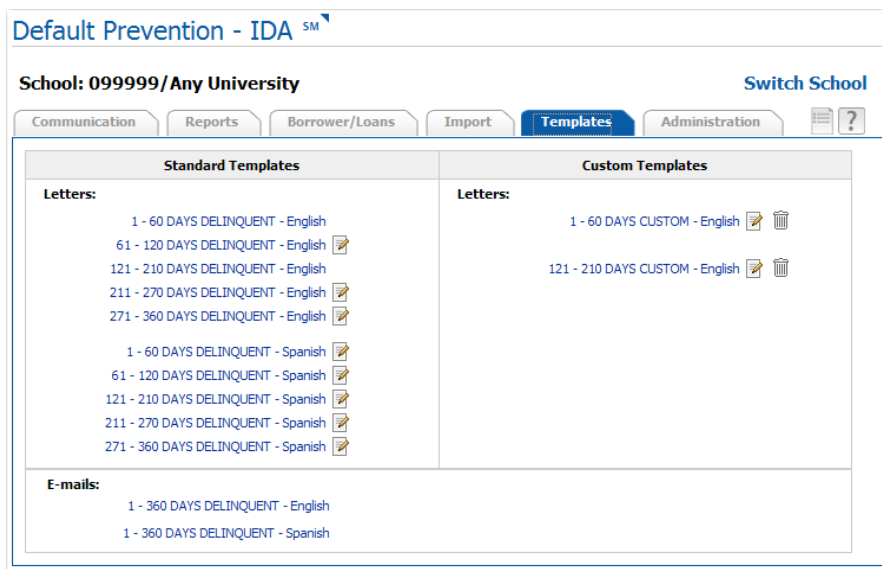


Image 1: IDA's communication templates are targeted by stage of delinquency.

You have the option to create one custom letter template per standard letter template, to better suit your needs. Custom letter templates take precedence over the standard templates, meaning that IDA generates borrower letters using the standard letter template only if a custom template does not exist for a given delinquency level. The custom letter templates apply to all campuses within your school.

E-mail templates allow for header and footer personalization

IDA comes equipped with a set of standard e-mail templates that are used by the Communication feature, whenever e-mails are generated. Each standard template, written in either English or Spanish, focuses on borrowers with loans at one of the five different stages of delinquency. Unlike letter templates, e-mail templates cannot be customized. Only the e-mail wrapper information, consisting of the "From" e-mail address and e-mail closing lines, are set by you. Enter your school's contact information in the closing lines. The wrapper information must be configured in order to send out e-mails via IDA's Communication feature.

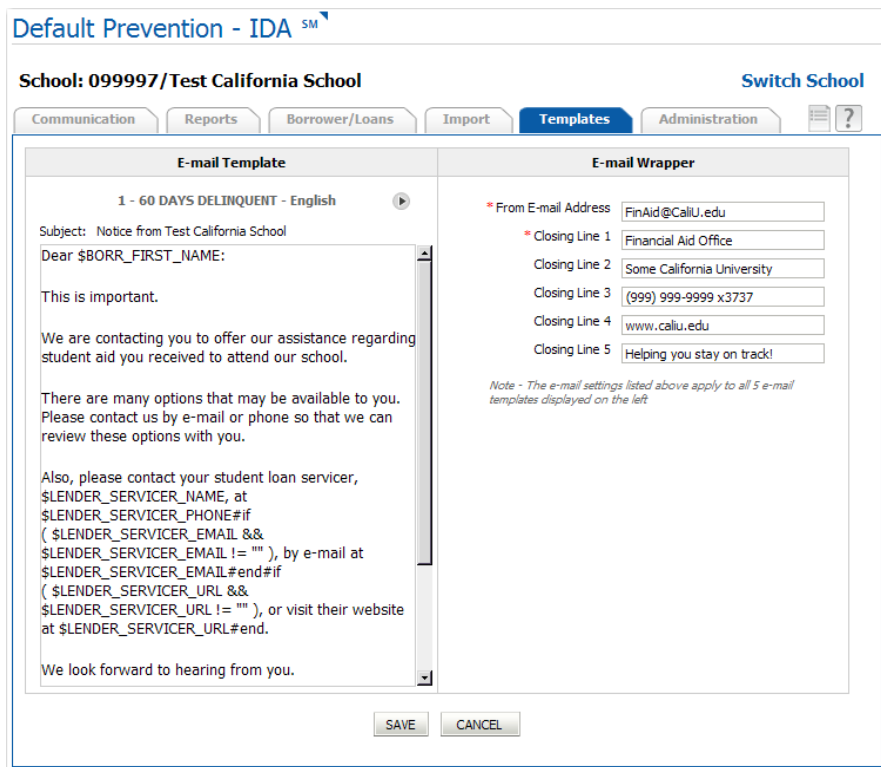


Image 2: IDA's e-mail communication templates allow for header and footer customization.

Please note that the wrapper information must be configured in order to send out e-mails via IDA's Communication feature.

To learn more

TG offers IDA at no cost to Texas schools, and to schools outside of Texas that have borrowers with TG-guaranteed loans. If you have questions about using IDA, please contact TG's product support group at (800) 332-1455, or send an e-mail message to product.support@tgsic.org. A school's TG account executive can also provide details. Contact your TG account executive at (800) 252-9743, or send an e-mail message to relationship.management@tgsic.org.

A perspective on default management trends: Q&A with TG's Shelia Dunlap

Effectively managing default has been a continuing challenge for many institutions, and recent industry changes and trends in student loan default have elevated conversations and expanded research into the topic. As institutions struggle to lower student loan default amid budget cutbacks, diversification of the student borrower population, and economic challenges facing the nation, schools seek to gather as much information and support as possible to help borrowers establish and maintain effective repayment practices.

Shoptalk recently sat down with Shelia Dunlap, TG's assistant vice president for default prevention, to gain her perspective on some of the trends in student loan default. In addition to serving in various default prevention-related leadership roles at TG for more than a decade, Shelia has also contributed her expertise and knowledge to a variety of industry efforts and initiatives designed to help students re-establish and maintain effective repayment practices.

How has default prevention changed through the years?

The industry appears to have become more receptive to the idea of default aversion. In years past, preventing default was perceived as more of a regulatory/compliance requirement. Now, however, I believe the industry has expanded its view of default aversion as part of a broader spectrum and a greater effort — one of supporting a student's overall success.

Change has obviously forced some institutions to rethink their strategies. What do you think are some of the trends?

Students are taking on higher debt loads than ever before, and they are taking longer to graduate — both of these factors can significantly impede student loan repayment, if the student does not graduate. As a result, institutions and other organizations that support borrowers are finding the need to increase outreach efforts, expand awareness of available programs and resources, provide more information, create or refine default management plans, and assign more dedicated resources to the effort to reduce delinquencies and defaults.

What's unique, different, or special about the way TG handles default prevention?

I believe TG is one of the very few organizations still offering personal consultative support to schools. In addition, we are always looking into innovative ways to assist schools, including exploring new ways to conduct exit loan counseling, providing default prevention training, and disseminating information.

What will be the greatest challenge for schools in preventing default in the coming months and years?

Studies indicate that students are likely to increase their borrowing in the coming years. In the face of reduced budgets, less state support, and more regulatory oversight, it will be a challenge for schools to provide the same borrower support services that they have been providing in the past. Schools may find a benefit in working with other industry participants to supplement their needs.

How has the changing student demographic and the changing environment in higher education affected the ability to prevent default?

It definitely has been more difficult. Many people tend to return to school during an economic downturn, either to brush up on training, to transition to another professional field, or to enhance their existing skills.

Schools are seeing surges not only in first-generation students, but also in the adult learner population. And each of these populations requires more tailored programs—it is not a one-size-fits-all situation. In addition, advancements in technology which have created more convenience for students participating in higher education programs have made it much more difficult to keep track of them.

If we can speak with students, we can find a solution, but changes in the use of technology can make this difficult. For example, borrowers are increasingly using cell phones and mobile phones for all communications, and eliminating the use of land lines. Even though TG has an established relationship with that borrower, prior consent is needed to contact them on cell phone numbers. Many of these factors make assisting borrowers to maintain effective repayment practices difficult.

What is most surprising about what it takes to effectively curb default?

We've seen that some schools are surprised by the fact that they can actually make a considerable difference in improving their default rates. Some find that, with an effective default aversion plan in place, the effort they dedicate to lower default actually can improve their rates. Schools also find it surprising that it doesn't require an abundant amount of time and resources to create and implement a default aversion plan. Some schools also find it interesting that most campus departments can have at least some effect on default.

What's the one suggestion you would offer a school administrator who wants to make a difference in preventing student loan default?

To schools wanting to make a positive change, I would say get started, develop a plan, communicate and promote inter-office collaboration, include students in your strategy discussions, stay the course, and focus, focus, focus. Time and time again we see schools allow promising initiatives to fall by the wayside once the goal is met. Although this is usually the result of shifting focus to competing priorities,

schools often end up watching their default rates increase yet again, creating a need for additional effort that could have been avoided through less time-intensive ongoing maintenance activities.

More about TG's default prevention services

To learn more about TG's extensive set of default aversion products and services, contact a TG account executive at (800) 252-9743, or send an e-mail message to relationship.management@tgslc.org.

On-demand training: Using webinar recordings on *TG Online*

TG offers an assortment of webinar trainings that provide insight on industry and policy issues as well as TG products. *TG Online* has a "[TG Webinars](#)" [Web page](#) to help schools, lenders, and servicers register for upcoming webinars and provide quick access to archived webinars.

Handy tool for training and planning

The new TG Webinars page is a feature of the recently redesigned *TG Online*. Accessed from the "Training Opportunities and Events" page, TG Webinars helps users to:

- [Review a list](#) of upcoming industry and product webinars and then select and register from those available; and
- Choose the "Archives" link to access a list of stored industry and product training modules, recordings, and materials that offer help for those who missed a scheduled webinar but would benefit from the information.
- You can also access [TG's Events Calendar](#), under "More Resources," which offers a complete list of TG's onsite and webinar training events, from the Training Opportunities and Events page.

Learn more

Watch for notices about upcoming industry and product webinars in [Shoptalk](#) and [TG Message Central](#), TG's online customer notification system. These articles include a link to the webinar registration pages. However, if competing priorities prevent your webinar participation, TG offers access to webinar recordings and materials via the [TG webinars page](#).

News Briefs

The cost of college—students and families often have to weigh price tags and compare options and opportunities to make one of the most significant purchases in life. A new federal rule, scheduled to go into effect next October, requires higher education institutions to offer a “net-price calculator” on their website, showing the estimated cost a family would pay for an education, after all available grants are deducted from the cost. Schools currently exploring their options to meet this requirement have several options: use a template provided by the federal government, work with a vendor, or create one in-house. A [recent article](#) in *The Chronicle of Higher Education* provides some perspective on the options, the choices, and the considerations schools are making in an effort to offer a helpful tool for assisting with the all-important college selection decision.



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