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TSAC-Byrd Scholarship

As you have heard, Congress eliminated the Robert C Byrd scholarship beginning in the 2011-12 academic year, leaving approximately 450 renewal Tennessee students unfunded. Byrd recipients attend both in-state and out-of-state institutions. Of these recipients, 393 are in-state and 58 are out-of-state.

After strong consideration and research between the Grants and Scholarship staff, and the Loan Division, TSAC's recommendation is to utilize the federal Operating Fund to continue the scholarship for at least the 2011-12 academic year.



Doing so will benefit Tennessee's best and brightest students by reducing their reliance

on loans to make up for the decreased financial aid. The estimated cost for the 2011-12 academic year would be \$672,000.

TSAC will review funding for the program on a year-to-year basis, and in future years may request that schools match a small portion of the funding.

The Code of Federal Regulations, Section 682.423(c)(2) allows guaranty agencies to use their Operating Fund for various functions, including "financial aid-related activities for the benefit of students, as selected by the guaranty agency."

The TSAC Loan Division projects the Operating Fund revenues to meet or exceed anticipated expenditures in the coming several years. Included in this projection are our recently enhanced emphasis on default prevention and increased volume of rehabilitated loans.

Student Loan Counseling (SLCS)

The TSAC servicing agent, NGS, sent out a letter recently to all schools and lenders regarding Student Loan Counseling Service, Inc. (SLCS). NGS has recently contracted with SLCS to perform default aversion activities to support TSAC's commitment to assist students and schools in preventing defaults.

SLCS may contact your organization about delinquent borrowers in their efforts to assist borrowers who have become delinquent on their TSAC loan payments in hopes of avoiding default. If they do, please work with them to resolve student borrower delinquencies, make payment arrangements, and establish deferments or forbearances.

TELS Legislative Update

The Tennessee General Assembly adjourned on May 21, 2011 passing two bills during the legislative session that impact Tennessee Education Lottery Scholarship (TELS) programs. As discussed in previous updates, SB 1529/HB 2010 will allow students to use their HOPE Scholarship award for the summer term. In an effort to make the bill more fiscally responsible and not use a significant portion of the lottery reserve funds, the use of HOPE for the summer term will be phased in.

Students, including nontraditional students, who initially received the HOPE Scholarship prior to the Fall 2009 semester will not be eligible to use the award for the summer term and the terminating events for these students will remain the same:

- earn a baccalaureate degree, or
- five (5) years have passed from date of initial enrollment at any postsecondary institution

Students, including nontraditional students, who initially received the HOPE Scholarship in the Fall 2009 semester and thereafter will be eligible to use the HOPE Scholarship for the summer term (beginning with Summer 2012) and the terminating events for those students will be as follows:

- earn a baccalaureate degree, or
- attempt a total of 120 semester hours, or
- five (5) years have passed from date of initial enrollment at any postsecondary institution

For students who received the HOPE Scholarship in the Fall 2009 semester and thereafter and are enrolled in a program of study which requires more than 120 hours, the terminating events for these students are as follows:

- earn a baccalaureate degree, or
- attempt the number of semester hours required to earn the undergraduate degree or 136 semester hours, whichever is less, or
- five (5) years have passed from the date of initial enrollment at any postsecondary institution

Notwithstanding the terminating events listed above, nontraditional students will be limited to the five-year and semester hour limitations. This will include the years and hours attempted while receiving the HOPE Scholarship as a traditional student and a nontraditional student.

Students who receive summer awards (beginning with Summer 2012) will be eligible for the same semester award amounts (\$2,000 at a four-year institution or two-year institution with on-campus housing/\$1,000 at two-year institutions) as the fall and spring semesters if they are enrolled full time. In addition, students will be eligible to receive their supplemental award for GAMS (\$500) or Aspire (\$750) for full-time enrollment. Students must be enrolled at least half time to receive a prorated summer award.

One final provision in the bill concerns credit hours attempted during the upcoming summer session. Students who take summer school courses during the Summer 2011 semester will not have those hours credited against the 120 attempted hour cap.

The other bill, HB 474/SB 2008, which passed on the final day of the session, concerns the Dual Enrollment Grant (DEG) and students with medical disabilities.

The bill provides for high school students to be eligible to take one (1) additional course per semester if the student has met the eligibility requirements for the HOPE Scholarship. Students must have attained a composite score of at least 21 or achieve a 3.0 grade point average for all high school work completed prior to the semester of enrollment as a dual enrollment student.

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College Goal Sunday National Award

Congratulations to Darolyn Porter for the recognition bestowed on her for her “Tireless Support” of the College Goal Sunday initiative. Darolyn, TSAC’s Student Financial Aid Compliance Director, has been the College Goal Sunday Coordinator for Tennessee since its inception in 2006.

College Goal Sunday is a non-profit program that provides free information and assistance to Tennessee families applying for financial assistance for higher education. College Goal Sunday mobilizes financial aid professionals from Tennessee colleges, universities, career colleges, and technology centers to help families of college-bound students complete the FAFSA. With the aid of many TSAC personnel, this year’s event was expanded to two days at thirty-six sites across the state, with 375 volunteers serving 2,200 students and parents! While Darolyn was attending the College Goal Sunday Forum in San Antonio, Texas, May 16-18, she was presented with one of the two nationwide awards for her time and dedication to this program.



Tennessee Student Assistance Award Program

TSAC is pleased to announce that with the passing of the 2011-12 state budget, the TSAA program received an additional \$3.2 million. With these funds, TSAC will be able to make awards to students with a completion date of February 10, 2011. This will provide awards to an additional 2,600 students.

These dollars keep the funding level for the TSAA program consistent with the 2010-11 academic year. If you have questions about the program, please contact Naomi Derryberry at 615.253.7478 or naomi.derryberry@tn.gov.



TELS Legislative Update (cont.)

However, funds received for the additional courses taken under the DEG will be reduced from the student’s HOPE Scholarship on a dollar per dollar basis. This means that a student who takes full advantage of the additional DEG benefit (eight (8) courses in total) will have his/her HOPE Scholarship reduced by \$1,200 in the first year of enrollment.

Additionally, HB 474/SB 2008 will allow students with documented medical disabilities, who are only able to attend part-time, to petition for an extension of the five-year limitation. These students will have up to 10 years to receive the HOPE Scholarship. Students who have exhausted eligibility because five (5) years have passed since their initial enrollment at a postsecondary extension may appeal to TSAC to regain the HOPE Scholarship. However, these students will not be eligible for a retroactive award.

TSAC is diligently working on amending rules and programming e*GRandS to accommodate these changes. We will be working with the TASFAA Advisory Committee to TSAC and others to solicit input. If you have questions about either bill or changes to e*GRandS, please contact Tim Phelps at 615.253.7441 or tim.phelps@tn.gov or Robert Biggers at 615.253.7453 or robert.biggers@tn.gov.

Default Prevention Suggested Practices

Jane Pennington, AED for Loans at TSAC, recently worked very closely with Dan Rodgers and Julia Alexander with the Compliance and Training Office for Nelnet Guarantor Solutions (NGS) in reviewing Cohort Default Rate (CDR) appeals which had been recently submitted by schools with TSAC guaranteed loans appearing in their Cohort Default Rates. Everything was reviewed that could possibly be done to assist schools in lowering their Cohort Default rate.

Ms. Alexander has been reviewing cohort default rate (CDR) appeals since the 2003 draft CDR. The 2009 CDR draft cycle is winding down, and all was fairly standard, with one exception – the split servicing issue. The review of the 2009 draft appeals pointed to some renewed targeted suggestions for default prevention. As we all know, the best way to lower one's default rate, is to keep students from defaulting.

Below are a few suggested ways we can work together to accomplish this goal:

Watch for split servicing. Help your borrowers know all of their servicers and the contact information (phone numbers and web addresses). Be aware that the servicers don't stay the same. Encourage use of NSLDS use to help borrowers know where their loans are and loan statuses. NSLDS Exit Counseling helps borrowers become familiar with NSLDS, and presents them with their entire federal student loan debt.

Once is not enough. Make sure forms are sent to all servicers and as frequently as needed. Deferments and forbearances are for limited timeframes and might need to be renewed.

Follow your transfers. Know where your former students transferred, especially if they go to a school without federal student loans. Help them obtain in-school deferments. When students appear on your delinquency lists, contact those schools to see if those students might be enrolled there.

Narrow your focus. Request and utilize the NSLDS "Delinquent Borrower Report" by cohort year for PUT and Direct Loans (DL). Be sure to use delinquency reports available from DL and FFELP servicers.

Special-handle withdrawals. These borrowers need the attention that they might not have found while in school. When borrowers withdraw, follow that up with emails, messages, postcards, and/or hand-written notes with information regarding loan repayment, specific servicer contact information, and the Financial Aid Officer's willingness to answer questions about loan repayment. Encourage other offices on campus, such as your Registrar and Business Office to communicate with Financial Aid when they become aware that a student is leaving or has officially withdrawn.

Special-handle late stage delinquencies. Borrowers who are more than 240 days but less than 361 days delinquent need special targeted care and they need it quickly. Counsel these borrowers about the availability of Income-based Repayment (IBR), deferments, forbearances, and consolidation.

Make it real. Explain the practical costs of default and the impact on a credit rate. For example, add 20-25% to loan on date of default: "Today you owe \$10,000 and on the date of default you owe \$12,000+. Is that single day worth it?"

Get their attention. Use their language - plain, short and direct. Use social media.

Remediate with Rehabilitation. A loan that is rehabilitated before the end of the cohort period doesn't count as a default. With the 3-year CDRs there is greater opportunity for defaulted borrowers to rehabilitate within the window. Help defaulted borrowers restore their credit with rehabilitation.

Enrollment status updates matter. Incorrect and untimely NSLDS enrollment reporting affects when a borrower is converted to repayment.

Less than half-time enrollment has consequences. Borrowers enter repayment six months plus one day from the date they cease to be enrolled at least half-time. Check for less than half-time enrollment during the term (or multiple times during the calendar year for non-term schools) and counsel those borrowers about the grace period.

Skips cannot be counseled. Servicers cannot assist borrowers who they cannot reach. Ask the other school offices, such as the registrar or alumni office, for any updated contact information.

Creating a Literacy Program



Starting a financial literacy program on your campus may seem overwhelming with all the new regulations and changes. The hardest part of any new task is deciding where to start. The following guideline breaks the process of creating a financial literacy program into six steps.

1. Commit – make the decision to start a financial literacy program

Realize the importance of a financial literacy program and make it a priority. Financial Literacy is part of default prevention. Educating students about finances can help reduce the cohort default rate and bankruptcy filings. Make it a campus wide program. Financial Literacy should not be the sole responsibility of the financial aid office. Solicit commitment from administrative offices and faculty members. Start with the top and gain the president’s support. Acceptance from top leadership can pave the way for others to embrace the program. Share with them your cohort default rates, the projected three year rates and what the sanctions can mean to the institution.

2. Ideas – establish a campus wide task force

Create a committee with members from admissions, registrar, coaches, campus life, and faculty. Have your committee brainstorm ideas. Members can offer their expertise. Turn to colleagues in and out of state for ideas or recommendations. Use outside sources. TSAC provides *Dollar Sensei* at no cost.



3. Build it – take the best ideas and make it happen

Enroll in *Dollar Sensei* and schedule training time. Have a financial literacy page on your website. Incorporate quick information and questions on this page to get students interested. Other items to include might be links to: Dollar Sensei, NSLDS, Opt Out of credit card offers, and annual credit report. Integrate financial literacy education into the curriculum. This could be offered in first year experience classes, general education core classes, orientation, and senior seminars. Offer financial education outside of the classroom in places such as: campus life, residence hall meetings, student groups, career center, athletic meetings, and organizational meetings. Provide workshops to students using outside speakers from: campus credit unions, TSAC, and local businesses. Share a financial tip of the month and spread the word in the school newspaper, facebook, twitter, posters, school mailboxes and website.



4. Feedback – listen to your students

Are they using *Dollar Sensei* and have they progressed in their learning. Survey a class or group of students and listen to what they think of your efforts. Use a focus group to bounce new ideas. What do other staff and faculty members think of the program?

5. Evaluate – review the feedback

Look at the participation levels at workshops. Solicit new ideas from students, staff, and TSAC. Look at what is working and what is not working.

6. Modify – change, change, change

Let the program grow. It helps to keep it fresh and current. Look at new ways to reach students. As technology changes, we must be willing to change with it in order to communicate effectively with the student body.