

REVISED

***Self-Evaluation Report
Texas Guaranteed Student Loan Corporation***



Sunset Advisory Commission

August 2003

INTRODUCTION

The Texas Guaranteed Student Loan Corporation (TG) is pleased to provide its second Self Evaluation Report to the Texas Sunset Advisory Commission. The first was submitted in 1987 during TG's initial review.

Every effort was made to be fully responsive, however, if something was missed, please let me know and the requested information will be transmitted ASAP. I encourage you to access TG's website www.tgslc.org, which is also referenced in response to some of the questions and request for attachments. I believe it is one of the most comprehensive state entity websites, and includes complete information concerning TG's financial information, publications, and programs, as well as links referred to in the SER, e.g., Adventures In Education, Mapping Your Future, TexasMentor, Jobgusher, etc.

For Section VI – Guide to Agency Programs, I chose to include those areas of the Corporation that concern the core functions related to the administration of the Federal Family Education Loan Program (FFELP), which is TG's primary responsibility under its enabling statute. Information about other areas that relate to this primary mission, for example, activities and programs that support access to postsecondary education (Closing the Gaps), provide assistance to borrowers in repaying their loans, and that produce student financial aid information to policymakers, can also be provided, and will, I assume, at least be touched upon during the course of the review.

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Texas Guaranteed Student Loan Corporation Self-Evaluation Report

I. Key Functions, Powers, and Duties

Please provide the following information about the overall operations of the agency. More detailed information about individual programs will be requested in a later section.

A. Provide an overview of the agency's mission, key functions, powers, and duties. Specify which duties are statutory.

The Texas Guaranteed Student Loan Corporation (TG) was established by the 66th Texas Legislature in 1979 as a public, nonprofit corporation to administer the Federal Family Education Loan Program (FFELP) for the State of Texas. As such, TG receives no state appropriations. However, the Corporation does carry out its responsibilities under the provisions of the Texas Open Meetings, Open Records, and Sunset Acts. The Board of Directors is appointed by the governor and confirmed by the senate. The comptroller of public accounts is a permanent member of the Board. Section 57.46 of the Texas Education Act authorizes the state auditor to conduct an annual audit of TG. Since then the legislature has expanded TG's authorizing statute to recognize the national or federal nature of the FFELP and to include the provision of support services and programs.

TG's primary function is to administer the FFELP by issuing the guarantee of student loans to lenders, preventing loans from defaulting, paying default claims, collecting loans that default, and insuring compliance by schools and lenders with the applicable provisions of the federal Higher Education Act and federal regulations promulgated by the U.S. Department of Education. These responsibilities are required by Chapter 57 of the Texas Education Code.

As the administrator of the largest student financial aid program in the state, TG is also a clearinghouse for student/borrower information for schools, lenders, servicers, and secondary markets, the student financial aid community and Texas policymakers. TG has processed \$16.8 billion in federal student loans to 2.1 million borrowers during the period 1/16/81 – 9/30/02. TG regards this function as among the most important. Accurate, timely, and usable data is crucial to an effective and efficient administration of \$2 billion per year loan program – from delinquency and default prevention to development of sound student financial aid policy.

As a result of TG's success in carrying out these primary statutory responsibilities and its strong partnerships with schools, lenders, and the state, TG has been able to use its resources to develop programs and services that support the FFELP.

For example, at no cost to the state, TG administers the Texas Financial Aid Information Center call center created by the 76th Texas Legislature and assigned the Texas Higher Education Coordinating Board as a part of the state's Closing the Gaps initiative. TG has also, as a part of the Closing the Gaps effort, assisted in the development of the statewide Awareness and Motivational (GO) Campaign, implementation of the Uniform and Recruitment and Retention plan, developed the core content for the GO Campaign's Training Tool Kit, served as trainers for the Campaign's regional workshops, provided the Spanish versions of the training materials, and provides the Spanish version of the College for Texans website.

Also, as free service to TG borrowers (and the general public), TG created Mapping-Your-Future <http://www.mapping-your-future.org>, a bilingual website that provides comprehensive information about obtaining a postsecondary education, student financial aid, and career planning, which is now a joint activity funded by all 36 FFELP guarantors. TG created the Adventures In Education website <http://www.adventuresineducation.org>, a bilingual, comprehensive source of college and career planning information. Through a wholly owned, subsidiary created in 2000—Education Assistance Services (EAS)—TG offers Job Gusher <http://www.jobgusher.com>, a free, online employment service to assist student loan borrowers obtain employment and repay their loan debt. TG is the prime sponsor, and only FFELP guarantor sponsor, of the TexasMentor website (www.texasmentor.com) that provides comprehensive postsecondary education and student financial aid information to individuals seeking information about Texas' private institutions of higher education. In 2000, TG established the Charley Wootan Grant Program, which has provided over one million dollars to Texas postsecondary educational institutions to award need-based grants to their students.

In 1997, TG established the Council for the Management of Educational Finance, composed of 16 student financial aid professionals to provide leadership in Texas' default prevention and debt management throughout the state's postsecondary education community. This group has convened several meetings with student financial aid representatives concerned with student debt and student loan default prevention and published papers on default aversion recommendations, financial aid management, debt management, and student loan servicing. All are available on TG's website.

In 1997, TG began publishing the State of Student Financial Aid in Texas which has been refined over the years and, to TG's knowledge, is the only comprehensive summary of student financial aid of its kind produced in Texas. Also, this same year, TG began publishing the School, Lender, and Legislative/Congressional Fact Sheets which breaks out student loan and student financial aid volume by school, lender, and legislative/congressional district.

In addition to administering the Texas Financial Aid Information Center call center, TG made a \$100,000 contribution a separate \$150,000 challenge grant to the College for Texans foundation.

All of these services are provided to support TG's primary mission and, again, are funded through TG's revenues.

B. Does the agency's enabling law correctly reflect the agency's mission, key functions, powers, and duties?

Yes.

C. Please explain why these functions are needed. Are any of these functions required by federal law?

Beginning in the early 1970's the Congress began amending the federal Higher Education Act to include provisions to encourage individual states to establish state designated guarantors to administer the FFELP for the state on behalf of the Department of Education in order to provide a closer relationship to the schools and lenders within each state. These changes also encouraged local lender participation in the loan program.

The FFELP is by far the largest student financial aid program in Texas and the country. Over 70 percent of all direct student aid awarded each year in Texas is through the FFELP. In establishing TG in 1979, the legislature followed the recommendations made by two interim studies which looked at the options—

continuing to contract with an out-of-state guarantor, establishing a new state agency, assigning the administrative responsibility to an existing state agency, e.g., the Higher Education Coordinating Board, or establishing a public, nonprofit independent corporation that would not require a new expenditure of state appropriations.

In 2002, TG processed 550,000 student loan guarantees for 308,000 borrowers. To date, more than \$16.8 billion dollars in federal student loans have been awarded to 2.1 million postsecondary education students, with a repayment rate of 92 percent at no cost to the State of Texas. As mentioned above, TG also provides a vast amount of information about student financial aid and postsecondary information to students, parents, school professionals, the general public, and policymakers through its websites and publications.

D. In general, how do other states carry out similar functions?

Currently, there are 35 state and regional FFELP guarantors and one national guarantor. Most of the 36 guarantors are state-focused and some are regional. The national, or federal, nature of the FFELP, as well as the size differential among states and guarantors coupled with the way the Congress finances guarantors, has, over the years, resulted in competition for loan volume and larger, better administered, and stronger guarantors evolving into regional and national guarantors. TG is one of the larger and more successful guarantors in terms of preserving its Texas loan volume and in terms of managing its resources so that it has been able to develop new products, services, and markets, while continuing to focus on Texas students, families, schools, and lenders. Because of this success, TG has been able to reach beyond the State of Texas and successfully compete with other guarantors for loan volume in other states.

E. Describe any major agency functions that are outsourced.

None of TG's major functions are outsourced. However TG's collections function is supplemented by use of private collection agencies through a competitive bid process. While TG does not outsource its IT functions, it does use external consultants for specific projects when it is prudent to do so.

F. Discuss anticipated changes in federal law and outstanding court cases as they impact the agency's key functions.

Every five to six years, the Congress reauthorizes the Higher Education Act. The next reauthorization is taking place at this time during the 108th Congress. The process is expected to be completed by the end of 2004, unless the general election interferes with the timing.

In terms of the FFELP, this reauthorization is expected to consider changes to the student loan consolidation program, interest rate formula, the role and financing of FFELP guarantors, and loan limits, against a background of rising federal budget deficits and a general election.

The interest rate debate will center on the question of what is an appropriate interest rate for borrowers to pay and what is an acceptable rate of return for lenders.

In addition to this debate, the loan consolidation debate will center on the original Congressional intent in creating the program in 1985 as contrasted with what it has become, i.e., a loan refinancing program of convenience for borrowers, and how the recent dramatic increase in student loan consolidations, the issue of whether borrowers should be able to reconsolidate to take advantage of lower interest rates, and the

loan consolidation program impacts the stability of the public-private partnership that is the basis of the FFELP.

Because the FFELP is a national program and the nature of the administration of the program has evolved over the years with the use of technology common to all banking transactions—first with Electronic Funds Transfer and now with online services—the need for a guarantor in every state has long gone by the wayside. Today’s successful guarantors are those that can offer ease, efficiency, and effectiveness in delivering the core functions to schools, lenders, and borrowers, and can offer additional programs and services that enhance, for example, default prevention efforts. Tg is one of four successful guarantors that have worked over the past several years to move to a performance-based, fee-for-service financing model with the federal government in exchange for regulatory relief. TG is one of these that operates under an effective Voluntary Flexible Agreement with the U.S. Department of Education. During the reauthorization process it is possible that several features of these ‘alternative guarantor financing models’ will be considered.

The annual loan limit for a freshmen student is \$2,625. This limit was set in 1986 and because of the erosion of other need-based grant programs and the increasing costs of a postsecondary education, pressure to increase this limit to as much as \$7,000 has been recommended. As with allowing borrowers to reconsolidate their student loans, raising loan limits would represent an additional cost to the federal government. So, this issue will be debated as a way to increase access to postsecondary education as a last resort, but a costly one with respect to the cost of the loan program and borrower (with increased student debt).

Along with this evolution, another key development that is certain to be a prime discussion item during the upcoming reauthorization will be the alliances, mergers, and consolidations among large originating banks, national guarantors, servicers, and secondary markets, which has intensified the competition for loan volume among all of the FFELP participants.

Generally, it is expected that legislation concerning postsecondary education during the next two years will focus on access to postsecondary education, affordability and cost containment of postsecondary education, and accountability by institutions. If the current reauthorization of the HEA places additional requirements on FFELP guarantors, TG will be required to use its revenues to implement new programs.

G. Please fill in the following chart, listing citations for all state and federal statutes that grant authority to or otherwise significantly impact the agency. Do not include general state statutes that apply to all agencies, such as the Public Information (Open Records) Act, the Open Meetings Act, or the Administrative Procedure and Texas Register Act. Provide the same information for Attorney General opinions from FY 1999 - 2003, or earlier significant Attorney General opinions, that affect the agency's operations.

Texas Guaranteed Student Loan Corporation Exhibit 1: Statutes/Attorney General Opinions	
Statutes	
Citation/Title	Authority/Impact on Agency (e.g., "provides authority to license and regulate nursing home administrators")
Chapter 57, Texas Education Code	Authorizing state legislation
Chapter 53, Texas Education Code	Authorizing statute for Higher Education Authorities
Chapter 52, Texas Education Code	Authorizing state statute for Hinson Hazelwood Student Loan Program
Chapter 325, Government Code	Texas Sunset Act
Chapter 551, Government Code	Texas Open Meetings Act
Article 1396-1.01, Vernon's Texas Civil Statutes	Texas Non Profit Corporation Act
Parts B & G, Higher Education Act	Authorizing federal statute for the FFELP
Attorney General Opinions	
Attorney General Opinion No.	Impact on Agency
MW-170	A board member of a Chapter 53 higher education authority may not serve on the TG board.
MW-295	While TG is not a state agency, TG is subject to the provisions of the Texas Open Records Act.
Open Records Decision 480	TG borrower information is subject to disclosure. Superseded by Section 57.11, Texas Education Code, Acts of the 76 th Texas Legislature.
Open Records Decision 563	TG is a "governmental body" within the meaning of the Open Records Act.

H. Please fill in the following chart:

Texas Guaranteed Student Loan Corporation Exhibit 2: Agency Contacts				
	Name	Address	Telephone & Fax Numbers	E-mail Address
Agency Head	Milton G. Wright	Box 201725 Austin, TX 78720-1725	219-4600 2194932	Milton.wright@tgslc.org
Agency's Sunset Liaison	George C. Torres	Box 2011725 Austin, TX 78720-1725	219-4503 210-4932	George.torres@tgslc.org

II. History and Major Events

Federal Timeline

1965

The Higher Education Act of 1965. Part B of Title IV of the Act established the Guaranteed Student Loan Program (GSLP) to provide loan insurance for students. The Program included a reinsurance provision to encourage each state to establish nonprofit guarantors to administer the program, and federal subsidies to lenders that made loans under the Program. The Program was for students from families with annual incomes below \$15,000 and had annual maximum loan amounts of \$1,000 for undergraduates and \$1,500 for graduate students.

1968

Higher Education Amendments of 1968. The GSLP is extended to 1971. Annual minimum repayment amount is set at \$360. Death and disability loan discharge is enacted. Proprietary schools and credit unions are allowed to participate in the GSLP. An appropriation is made for \$12.5 million to advance funds to states to establish state guarantors. Appropriations to pay a four percent special allowance payment to lenders are enacted.

1972

Education Amendments of 1972. Extended the GSLP until 1975. Increased annual maximum loan to \$2,500 for junior and senior students and aggregates to \$7,500 and \$10,000. Instituted a need analysis process. Established the Student Loan Marketing Association (Sallie Mae) to be a national secondary market for student loans. The Pell Grant Program is established.

1974

Education Technical Amendments. Removed the \$15,000 annual income cap. Authorized schools to have "preferred lenders"

1976

Education Amendments of 1976. Extended the GSLP to 1981. Graduate/professional annual loan limit raised to \$5,000. A \$25,000 annual income ceiling is enacted for need analysis purposes. Appropriations made to fund a default prevention allowance for state guarantors and 100 percent reinsurance on loans.

1978

Middle Income Assistance Act. Repealed the \$25,000 annual income cap for determining eligibility for interest benefits. Four percent cap of special allowance paid to lenders is repealed.

1980

Education Amendments of 1980. Increased loan maximums, interest rates. Established a special allowance for state secondary markets. Established a six month grace period for repayment of loans. Established the Parent Loan for Undergraduate Students.

1981

Omnibus Budget Reconciliation Act of 1980. Enacted a \$30,000 annual income ceiling for need analysis. Established a five percent loan origination fee. Provided for the disclosure of mailing addresses of defaulted student loan borrowers by the Secretary of Education to employees/agents of the Education Department, guaranty agencies, and schools. Increased minimum annual repayment amount to \$600. Expanded eligibility of PLUS program loans to independent undergraduate and graduate/professional students.

1986

Education Amendments of 1986. GSLP is reauthorized. Repayment deferments expanded to single parents with disabled children, certain school teachers, minimum wage mothers with preschool children, and half-time students. The special allowance is lowered to 3.25 percent and the interest rate is increased to 10 percent beginning with the fifth year of repayment. The Supplemental Loan for Students (SLS) Program is created. Annual and Aggregate loan limits for the PLUS and SLS programs are increased to \$4,000 and \$20,000. The first variable interest rate is established at 3.75 percent indexed to the 91 Day Treasury Bill. The guaranty fee is increased to 3 percent. Loan applicants are required to be verified through the newly created National Student Loan Database (NSLDS). Schools are required to provide exit counseling to student loan borrowers.

1989

The Omnibus Budget Reconciliation Act. requires guaranty agencies to return \$250 million in reserves to the Education Department. Increased maximum annual loan limits to \$2,500 for students taking nine hours and \$1,500 for students taking less than nine hours.

1991

The Federal Emergency Unemployment Compensation Act. Authorized garnishment of wages of student loan defaulters.

1992

Education Amendments of 1992. GSLP reauthorized. GSLP is changed to the Federal Family Education Loan Program (FFELP). Loans offered under the FFELP are renamed the Subsidized Stafford and Unsubsidized Stafford Loan Programs. The PLUS Program is continued. The Federal Direct Loan Program (FDLP) is established as a pilot program to compete with the FFELP offering the same loans as the FFELP. Loan limits are increased for all programs. The cap on PLUS loans is repealed. Home equity is removed from the need

analysis process. The number of specific deferments is reduced from 13 to 3. Income based repayment options are established. Defaulted borrowers are allowed to obtain additional loans after making 6 consecutive monthly payments on their debt. Loan forgiveness is authorized for borrowers who were attending schools that closed. The cohort default rate is enacted as an oversight and default prevention tool. The special allowance is reduced to 3.1 percent. The interest rate is reduced to 3.1 percent and capped at 9 percent. The move toward standardization is begun and the Free Application for Federal Student Aid (FAFSA) is mandated.

1993

The Budget Reconciliation Act. The FDLP is expanded to a permanent program with the goal of supplanting the FFELP by 1998. The special allowance is reduced to 2.5 percent and, eventually, to 1 percent indexed to the Ten-Year Treasury Bond in 1998.

1995

The Budget Reconciliation Act. Further reductions in the special allowance, interest rate, and administrative cost allowances are made to achieve federal budget savings.

1997

The Balanced Budget Agreement. Spending for the student loan programs was reduced by \$1.8 billion primarily through the return of guaranty agency reserve funds and a reduction in the administrative cost allowance paid to guarantors. The Hope Tax Credit program is established.

1998

Education Amendments of 1998. The FFELP is reauthorized. A new guarantor financing methodology is established which emphasizes a fee-for-service, performance-based model that is keyed to student loan default prevention. Interest rates for borrowers are lowered and the return to lenders is stabilized. Reinsurance rates are lowered. The FFELP and FDLP are left to compete with one another.

2001

Education Amendments of 2001. The FFELP is reauthorized. The 1998 guarantor financing model is further refined by the creation of the Voluntary Flexible Agreements (VFA) allowing the Education department to enter to agreements with up to six guarantors that will allow regulatory exemption for administrative plans that save money, increase default collections, increase delinquency cures, etc. Texas Guaranteed Student Loan Corporation (TG) receives a VFA. A permanent dual interest rate policy is established for borrowers and for lenders that keeps rates low for borrowers and partially stabilizes the return to lenders.

State Timeline

1979

After two interim studies, the 66th Texas Legislature establishes Texas Guaranteed Student Loan Corporation (TG) as a public nonprofit corporation through the passage of House Bill 38. Chapter 57 of the Texas Education Code establishes TG.

1985

Legislation is enacted that makes updating changes and conforming changes to Chapter 57 in response to the most recent federal Higher Education Act reauthorization. TG is designated Texas' "Lender of Last Resort" for the FFELP.

1989

TG's first Sunset bill is passed. The major changes to Chapter 57 are the reauthorization of TG for 12 years; new board of directors configuration; codification of TG's lender/school advisory committee; authorization of TG to engage in alternative revenue generating activities; designation of TG as the entity within the State to coordinate student loan default activities; required TG to establish a process with Texas' licensing agencies to deny license renewals to licensees who are identified as in default on student loans.

1991

Legislation is passed that made several updates to Chapter 57 and authorized schools to withhold academic transcripts of defaulters.

1995

Recognizing the national focus of the FFELP, the increasing competitiveness among guarantors, and the need to maintain a strong state guarantor, the legislature passed legislation that repealed restrictive language in Chapter 57 that prohibited TG from guaranteeing FFELP loans for other states. TG can merge with another guarantor as long as TG is the surviving guarantor. Individuals who are state lottery winners and in default on student loans will have their winnings garnished or withheld.

1999

Legislation is passed that makes updating and conforming changes to Chapter 57 in response to the 1998 federal HEA reauthorization. Language is added to Chapter 57 directing TG to coordinate postsecondary education outreach and awareness efforts with appropriate entities within the state. TG's next Sunset review date is extended to 2005. The prohibition for TG to make donations for "educational purposes" is repealed. TG is directed to work with the Texas Higher Education Coordinating Board (THECB) to establish the Texas Financial Aid Information Center (TFAIC) with a toll-free telephone number. Borrower information maintained by TG is exempt from the provisions of Texas Open Records Act. TG establishes the call center and toll free number in August 1999 and continues to administer the center at

no cost to the state. TG Borrowers in default on student loans are prohibited from receiving a concealed gun license.

III. Policymaking Structure

A. Please complete the following chart:

Texas Guaranteed Student Loan Corporation Exhibit 3: Policymaking Body					
Member Name	Term/ Appointment Dates/ Appointed by ___ (e.g., Governor, Lt. Governor, Speaker)	Qualification (e.g., public member, industry representative)	Address	Telephone & Fax Numbers	E-mail Address
Mr. Tommy J. Brooks	2003-2009 Governor	Public			
Mr. Ruben Esquivel	2003-2009 Governor	Public-School			
Mr. Albon Head	2001-2007 Governor	Public			
Mr. Morgan Howard	2003-2009 Governor	Student			
Ms. Jorja Kimball	1999-2005 Governor	Public - school			
Mr. James Langabeer	2003-2007 Governor	Public-school			
Mr. Jerry Don Miller	2001-2007 Governor	Public			
Ms. Jane Phipps (Chairperson)	1999- 2005Governor	Public			

Ms. Grace Shore	2003-2009 Governor	Public			
Don Neal – Representative for Carole Keeton Strayhorn	Comptroller of Public Accounts	Comptroller of Public Accounts			

B. How is the chair of the policymaking body appointed?

The board chair is elected by the board.

C. Describe the primary role and responsibilities of the policymaking body.

The board sets overall corporate policy, including appointing the CEO, delegating authority to the CEO, providing long-range direction to the Corporation, setting policy, and approving the budget.

D. List any special circumstances or unique features about the policymaking body or its responsibilities.

NA

E. In general, how often does the policymaking body meet? How many times did it meet in FY 2002? in FY 2003?

Chapter 57 requires the Board to meet at least 2 times per year. Generally, the Board of Directors meets at least 4 times per year. For 2002, the full Board convened 5 times. FYTD for 2003, the full Board has met 4 times.

F. What type of training do the agency's policymaking body members receive?

New Board members are provided with a high level half day orientation, as well as briefings as requested.

G. Does the agency have policies that describe the respective roles of the policymaking body and agency staff in running the agency? If so, please describe these policies.

Yes. See attached TG Corporate Policy Manual and TG By Laws.

H. If the policymaking body uses subcommittees or advisory committees to carry out its duties, please fill in the following chart.

Texas Guaranteed Student Loan Corporation Exhibit 4: Subcommittees and Advisory Committees			
Name of Subcommittee or Advisory Committee	Size/Composition/How are members appointed?	Purpose/Duties	Legal Basis for Committee
Executive Committee	3 members – Chair, Vice Chair, Secretary	Preparation for board meetings, governmental liaison, annual evaluation of CEO, consideration of issues between board meetings	Section 57.461(c)
Budget/Finance/Audit Committee	6 members – appointed by Chair	Oversees development/implementation of annual business plan, activities of the internal auditor, corporate finance and investments, cash flow, insures corporate adherence to fiscal and audit policies, recommends outside auditor.	Section 57.641(c)
Personnel Committee	6 members – appointed by Chair	Oversees personnel matters and policy, salaries and compensation, pension and retirement policy, annual evaluation process	Section 57.641(c)
Planning Committee	6 members – appointed by Chair	Oversees development/implementation of corporate long range plan and marketing	Section 57.461(c)

I. How does the policymaking body obtain input from the public regarding issues under the jurisdiction of the agency? How is this input incorporated into the operations of the agency?

All Board meetings are posted with the Secretary of State’s office and open to the public. TG’s Lender/School Advisory Committee established under Section 57.461 serves as the advisory body to the Board for participating lenders and schools. Input received by the student financial aid community is continually considered during the annual and long range planning process and during consideration of any new proposed initiatives TG may wish to undertake. TG also receives input from the student financial aid community during training workshops.

IV. Funding

A. Describe the agency's process for determining budgetary needs and priorities.

TG's budget and planning processes are integrated into a single, continual process that begins in the late spring with the development of the corporate strategic plan, subprocess, process, and corporate goals by the staff and board members. The strategic plan (See attachment TGSLC FY2002 – FY2004 Strategic Plan) is the blueprint for the development of the annual budget at each level of the corporation.

Early in each calendar year, each subprocess receives the budget instructions developed by the planning and accounting subprocesses in consultation with senior management to be used in developing a proposed budget for the next year during the spring of each year. Each subprocess and process incorporate their performance goals, measures, and deliverables into their budget requests. Subprocess budget requests are developed in consultation with the process management and submitted to senior management and the corporate operations committee for further refinement and staff approval. Throughout this process, the board receives budget progress updates and provides input and guidance.

The staff budget request is submitted to the Board of Directors Budget/Finance/Audit Committee during the late summer accompanied with public meetings and work sessions until a final budget is developed. The Committee's recommended budget is then submitted to the full board in late summer or early fall. The board approves the budget during its annual September meeting.

PLEASE FILL IN EACH OF THE CHARTS BELOW, USING EXACT DOLLAR AMOUNTS.

B. Show the agency's sources of revenue. Please include all local, state, and federal appropriations, all professional and operating fees, and all other sources of revenue collected by the agency.

Texas Guaranteed Student Loan Corporation Exhibit 5: Sources of Revenue — Fiscal Year 2002 (Actual)	
Source	Amount
OPERATING FUND	
Program Revenue from U.S. Department of Education under FFELP	\$107,119,417
Interest Earnings on Investments	3,630,853
Other Revenue	1,198,789
State of Texas	0
Subtotal Operating Fund	111,949,059
FEDERAL FUND	

Program Revenue from U.S. Department of Education under FFELP	2,117,435
Interest Earnings on Investments	2,619,108
Other Revenue	1,050,771
State of Texas	0
Subtotal Federal Fund	5,787,314
TOTAL	\$117,736,373

C. If you receive funds from multiple federal programs, show the types of federal funding sources. r

Texas Guaranteed Student Loan Corporation Exhibit 6: Federal Funds — Fiscal Year 2002 (Actual)				
Type of Fund	State/Federal Match Ratio	State Share	Federal Share	Total Funding
Not Applicable – federal funds received under FFEL program only				
TOTAL				

D. If applicable, please provide detailed information on fees collected by the agency.

Texas Guaranteed Student Loan Corporation Exhibit 7: Fee Revenue and Statutory Fee Levels — Fiscal Year 2002				
Description/ Program/ Statutory Citation	Current Fee/ Statutory maximum	Number of persons or entities paying fee	Fee Revenue	Where Fee Revenue is Deposited (e.g., General Revenue Fund)
Not Applicable				

E. Show the agency's expenditures by strategy.

Texas Guaranteed Student Loan Corporation Exhibit 8: Expenditures by Strategy — Fiscal Year 2002 (Actual)	
Goal/Strategy	Amount
Customer (Student, School, Lender, Servicer) Support	\$13,537,703
Student Loan Guarantee Operations	10,759,411

Default Claims Processing	4,900,626
Default Prevention/Collections	38,434,961
Support and Administration	19,154,314
GRAND TOTAL:	\$86,787,015

F. Show the agency's expenditures and FTEs by program.

Texas Guaranteed Student Loan Corporation Exhibit 9: Expenditures and FTEs by Program — Fiscal Year 2002 (Actual)					
Program	Budgeted FTEs, FY 2002	Actual FTEs as of August 31, 2002	Federal Funds Expended	State Funds Expended	Total Actual Expenditures
Federal Family Education Loan Program	547	527	\$86,787,015	\$0	\$86,787,015
TOTAL	547	527	\$86,787,015	\$0	\$86,787,015

G. Show the agency's objects of expense for each category of expense listed for your agency in the General Appropriations Act FY 2004-2005.

Texas Guaranteed Student Loan Corporation Exhibit 10: Objects of Expense by Program or Function -- Fiscal Year 2004			
Object-of-Expense Informational Listing	Strategy, Program, Division, or Function ____ (insert strategy, division or program name)	Strategy, Program, Division, or Function ____ (insert strategy, division or program name)	Strategy, Program, Division, or Function ____ (insert strategy, division or program name)
Not Applicable – TG receives no State Appropriations			
Total, FY 2004 Object-of-Expense Informational Listing			

Objects of Expense by Program or Function -- Fiscal Year 2005			
Object-of-Expense	Strategy, Program, Division, or Function	Strategy, Program, Division, or Function	Strategy, Program, Division, or Function

Informational Listing	____ (insert strategy, division or program name)	____ (insert strategy, division or program name)	____ (insert strategy, division or program name)
Not Applicable – TG receives no State Appropriations			
Total, FY 2005 Object-of-Expense Informational Listing			

H. Please fill in the following chart.

Exhibit 11: Purchases from HUBs				
FISCAL YEAR 2000				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	n/a	n/a	n/a	11.9%
Building Construction	n/a	n/a	n/a	26.1%
Special Trade	n/a	n/a	n/a	57.2%
Professional Services	167,346	38,993	23.30	20.0%
Other Services	22,178,447	3,302,398	14.89	33.0%
Commodities	4,315,287	355,453	8.24	12.6%
TOTAL	26,661,080	3,696,844	13.86%	
FISCAL YEAR 2001				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	n/a	n/a	n/a	11.9%
Building Construction	n/a	n/a	n/a	26.1%
Special Trade	n/a	n/a	n/a	57.2%
Professional Services	61,731	26,804	43.42	20.0%
Other Services	17,869,352	745,152	4.17	33.0%
Commodities	4,085,921	465,795	11.40	12.6%
TOTAL	22,017,004	1,237,771	5.6%	
FISCAL YEAR 2002				
Category	Total \$ Spent	Total HUB \$ Spent	Percent	Statewide Goal
Heavy Construction	n/a	n/a	n/a	11.9%

Building Construction	n/a	n/a	n/a	26.1%
Special Trade	n/a	n/a	n/a	57.2%
Professional Services	177,164	56,269	31.76	20.0%
Other Services	27,281,824	167,120	.61	33.0%
Commodities	4,261,534	1,245,893	29.24	12.6%
TOTAL	31,720,522	1,469,282	4.63%	

The declining HUB volume reflects collection vendors changing through the bidding process and continuing vendors used by TG evolving out of the HUB category. Their value as a supplemental collection tool is still recognized by TG, but they are no longer HUBs. However, TG continues to be proactive in this area and will continue to contract with HUBs as much as possible.

I. Does the agency have a HUB policy? How does the agency address performance shortfalls related to the policy? Yes, TG calls its' small and disadvantaged program "Minority & Women-owned Business Enterprise Program". TG reviews quarterly procurement reports and researches the CBML for additional minority & women-owned businesses for potential procurement opportunities.

J. For agency with contracts valued at \$100,000 or more: N/A- TG not subject to Government Code.

	Response / Agency Contact
Does your agency follow a HUB subcontracting plan to solicit bids, proposals, offers, or other applicable expressions of interest for subcontracting opportunities available under contracts of \$100,000 or more? (Tex. Government Code, Sec. 2161.252; TAC 111.14)	<u>N/A – TG not subject to Texas Government Code.</u>

K. For agencies with biennial appropriations exceeding \$10 million: N/A – TG not subject to Government Code.

	Response / Agency Contact
Do you have a HUB coordinator? (Tex. Government Code, Sec. 2161.062; TAC 111.126)	<u>N/A – TG not subject to Texas Government Code.</u>
Has your agency designed a program of HUB forums in which businesses are invited to deliver presentations that demonstrate their capability to do business with your agency? (Tex. Government Code, Sec. 2161.066; TAC 111.127)	<u>N/A – TG not subject to Texas Government Code.</u>
Has your agency developed a mentor-protégé program to	<u>N/A – TG not subject to Texas Government</u>

Self-Evaluation Report

foster long-term relationships between prime contractors and HUBs and to increase the ability of HUBs to contract with the state or to receive subcontracts under a state contract? (Tex. Government Code, Sec. 2161.065; TAC 111.128)	<u>Code.</u>
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V. Organization

A. Please fill in the chart below. If applicable, list field or regional offices.

Exhibit 12: FTEs by Location — Fiscal Year 2002			
Headquarters, Region, or Field Office	Location	Number of Budgeted FTEs, FY 2002	Number of Actual FTEs as of August 31, 2002
Headquarters	Austin	546.5	527
TOTAL		546.5	527

B. What was the agency's FTE cap for fiscal years 2002 - 2005?

FY02 = 546.5 FY03 = 554.5 FY04/FY05 = Unknown

C. How many temporary or contract employees did the agency have as of August 31, 2002?

70

D. Please fill in the chart below.

Exhibit 13: Equal Employment Opportunity Statistics							
FISCAL YEAR 2000							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	91	9.9%	5%	13.2%	8%	44%	26%
Professional	144	10.4%	7%	20.8%	7%	50.7%	44%
Technical	35	2.9%	13%	11.4%	14%	45.7%	41%
Protective Services			13%		18%		15%
Para-Professionals			25%		30%		55%
Administrative Support	210	24.8%	16%	18.6%	17%	76.7%	84%
Skilled Craft			11%		20%		8%
Service/Maintenance			19%		32%		27%
FISCAL YEAR 2001							
Job	Total	Minority Workforce Percentages					

Category	Positions	Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	93	9.7%	5%	12.9%	8%	44.1%	26%
Professional	193	9.8%	7%	18.1%	7%	53.4%	44%
Technical	23	8.7%	13%	17.4%	14%	39.1%	41%
Protective Services			13%		18%		15%
Para-Professionals			25%		30%		55%
Administrative Support	207	24.2%	16%	17.9%	17%	76.8%	84%
Skilled Craft			11%		20%		8%
Service/Maintenance			19%		32%		27%
FISCAL YEAR 2002							
Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	Civilian Labor Force %	Agency	Civilian Labor Force %	Agency	Civilian Labor Force %
Officials/Administration	97	9.3%	5%	12.4%	8%	45.4%	26%
Professional	187	8.6%	7%	17.6%	7%	46.5%	44%
Technical	24	8.3%	13%	16.7%	14%	33.3%	41%
Protective Services			13%		18%		15%
Para-Professionals			25%		30%		55%
Administrative Support	233	20.6%	16%	21.0%	17%	73.8%	84%
Skilled Craft			11%		20%		8%
Service/Maintenance			19%		32%		27%

E. Does the agency have an equal employment opportunity policy? How does the agency address performance shortfalls related to the policy?

Yes, TG's Affirmative Action Plan is updated every year. Goals are set for the coming year and then compared to following year's results.

VI. Guide to Agency Programs

Loan Guaranty Operations

Please complete this section for each agency program (or each agency function, activity, or service if more appropriate). Copy and paste the question boxes as many times as needed to discuss each program, activity, or function. Please contact Sunset staff with any questions about applying this section to your agency.

A. Please complete the following chart.

Exhibit 14: Program or Function Information — Fiscal Year 2002	
Name of Program or Function	Loan Guaranty Operations (LGO)
Location/Division	Customer Relations and Business Operations
Contact Name	Kyle Smith
Number of Budgeted FTEs, FY 2002	14
Number of Actual FTEs as of August 31, 2002	13

B. What are the key services of this function or program? Describe the major activities involved in providing all services.

LGO's primary responsibility involves the guarantee of Federal Stafford, PLUS, and Consolidation loans and the tracking of borrower and loan changes. LGO assists internal and external customers with the interpretation and resolution of rejected loan applications. LGO also manually processes post-guarantee change transactions related to changes in loan period, grade level, disbursement dates and amounts, reinstatements, reallocations, loan increases, full and partial cancellations and post-withdrawal returns. In addition, LGO updates changes in borrower information such as name, social security number, demographic data, exit interview data and enrollment status. This sub-process also routinely reviews NSLDS in the resolution of aggregate loan limit rejects and other borrower eligibility situations. Resolution of these loan guaranty issues often involves contact with schools, lenders, servicers, secondary markets, the U.S. Department of Education, and other guaranty agencies.

LGO is the business owner or key stakeholder in each corporate front-end system project and work item order request. It is LGO's responsibility to ensure that the Loan Guaranty Processing System (LGPS) is compliant with federal regulations and State Law and that it contains functionality compatible with industry standards such as CommonLine, Common Record: CommonLine and Common Account Maintenance as established by NCHELP's Electronic Standards Committee and the Postsecondary Electronic Standards Council.

In FY 2002, LGO processed 554,519 loans for a total of \$2,131,128,063. Of that, 44,669 were Consolidation loans for a total of \$730,402,371. LGO averaged a turn around of one day or less when processing rejected loans and responded to customer e-mail and fax requests in less than one day. Consolidation loans were processed within just over 2 days of receipt. LGO received over 17,000 calls for the year with an average speed of answer of less than one second and only abandoned a total of 30 calls.

LGO's FY02 critical success factors or key performance indicators and resulting performance on each as of 9/30/02 are as follows:

Cycle time - Rejected application processing target of one day or less - Results produced = 0.8041 day
Cycle time - Consolidation loan set-up target of five days or less - Results produced = 2.2729 days
Cycle time - Faxes target of 0.75 day - Results produced = 0.52 day
Cycle time - Internet e-mail response target of less than 3 days - Results produced = 0.9283 day
External Customer Satisfaction Rating target of greater than a 4 of 5 rating - Results produced = 4.575
Guaranteed Loan Cost per Unit of \$0.65 or less - Results produced = 0.5561
Manual Borrower/Loan Update Cost per Unit of \$0.20 or less = 0.1452
CommonLine Completion Project target of 100% of Budget and Time goals - Results produced - 101.17%

C. When and for what purpose was the program or function created? Describe any statutory or other requirements for this program or function.

The Loan Guarantee Operations area was created in 1979 as one of the original departments of the corporation for the purpose of supporting TG's borrowers and business partners in the loan guarantee process.

D. Describe any important history not included in the general agency history section, including a discussion of how the services or functions have changed from the original intent. Will there be a time when the mission will be accomplished and the program or function will no longer be needed?

The Loan Guarantee Operations function is an ongoing function of the corporation.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The loan guarantee function reviews and approves for a federal guarantee loan application submitted by borrowers through a college or university. Schools must meet federal eligibility requirements to participate in the federal student financial aid programs and borrowers must be eligible to receive loans through the FFELP.

F. Describe how the program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Loan Guarantee Operations (LGO) process:

LGO processes over 500,000 loan guarantees each year.

LGO is responsible for:

- Assisting customers with interpretation, analysis and resolution of issues regarding rejected loan applications,
- Maintaining familiarity with specific school and lender guidelines and specific borrower eligibility requirements in relation to TG policy and procedures, Common Manual and federal regulations, and;
- Assisting customers with loan and disbursement related issues such as reinstatements, increases, name changes, aggregate limits, and SSN discrepancies just to name a few.

LGO's daily activities include:

New Application Processing
 Post-Guarantee Change Transaction Processing
 Rejected Application Processing
 Borrower and Loan Information Updates
 Information Systems Management

Most functions within LGO are rotated among the team members on a monthly basis. This helps each team member to stay abreast of ongoing changes within each loan guarantee function. This sub-process is responsible for reviewing loan applications for eligibility, completeness, and accuracy before guaranteeing a loan. In addition, LGO tracks student enrollment status, demographic changes, and other loan activity.

LGO's peak guarantee season runs May through September and non-peak season runs October through April. Some rejects can be resolved with a few simple steps. Others require in-depth research and may involve contacting the school, lender, other TG sub-processes, and/or the U.S. Department of Education. During FY02 the average application reject rate was 3.58 percent. Various daily reject reports help to ensure that all rejects are processed in a timely manner. Several weekly reports are used as quality control to ensure that all steps have been taken to resolve outstanding rejects. One such weekly report lists loans that have been in a reject status for 53 to 65 days. Rejected applications remain on the Loan Guarantee Processing System (LGPS) in a "pending" status until resolved. If a rejected application remains unresolved after 65 calendar days, the guarantee is denied.

Two guarantee mainframe batch cycles occur in the LGPS each day—one at noon and one at night. TG receives Federal Stafford and Federal PLUS loan applications in one of two ways:

1. Manually (during FY02 represents 7 percent of all applications). These applications are received in LGO via the mailroom or by fax.
2. Electronically (during FY02 represents 93 percent of all applications). Schools and lenders transmit applications electronically to the mainframe system.

Schools and lenders transmit applications electronically to LGPS through TG's AdvanTG Web school-based software (SBS) product provided to TG's schools and lenders, mainframe to mainframe, or via another guarantor's SBS product. These front-end SBS products contain a series of validation and edit checks to ensure that the data being entered into the system is in CommonLine Version 4 or Version 5 industry standard format. TG processes the application information electronically and verifies borrower and loan FFEL eligibility using edits and logic checks. (Refer to TG's website at www.tgslc.org for a listing of LGO Federal Stafford and PLUS loan system edits).

TG either approves the application and electronically transmits the guarantee and disbursement information to the school and lender, or rejects the application and transmits the reject or denial information to the school and lender. If the loan application passes all the system edits and results in a guarantee, a Notice of Loan Guarantee (disclosure) statement is generated by LGPS and either mailed or electronically transmitted to the lender. If the application does not pass all the system guarantee edits, it is stored on LGPS in a rejected status. TG also generates a report for the schools and lenders that contains information about all applications that are in a rejected and denied status on LGPS. The Application Reject Pending and Denial Report identifies the applications that are in a rejected status by borrower social security number and provides information about how long the rejects have been on LGPS and the reason for the reject. The schools and lenders can receive this report electronically via the Report Request/Distribution software or by mail (reports are mailed daily). Schools and lenders can view guarantee and disbursement information and application reject and denial information on AdvanTG Web one day after the application is transmitted to TG or via RealTime Access (RTA).

LGO receives Federal Consolidation loan applications in one of two ways:

1. Manually (during FY02 to date 95 percent of total loans): These loan applications are received in LGO via the mailroom or by fax.
2. Electronically (during FY02 to date 5 percent of total loan applications): Lenders transmit applications electronically to the Loan Guarantee Processing System (LGPS) via Common Account Maintenance (CAM).

For the most part, approved TG Consolidation loan lenders submit new Consolidation loans via hardcopy reports. The LGO Consolidation Loan Representative manually loads the loan data into LGPS and the mainframe processes the loan information electronically through numerous TG edit and logic checks. (Refer to TG's website at www.tgslc.org for a listing of LGO Federal Consolidation loan system edits).

TG either approves or rejects the loan. If the loan application passes all the system edits and results in a guarantee, a reconciliation report is generated by LGPS and either mailed or electronically transmitted to the lender on a monthly basis. If the application does not pass all the system guarantee edits, it is stored on LGPS in a rejected status. TG generates a report for lenders that contains information about all Consolidation loans that are in a rejected and denied status. The Application Reject Pending and Denial Report identifies the loans that are rejected by borrower social security number and provides information about how long the rejects have been on LGPS and the reason for the reject. The lenders can receive this report electronically via the Report Request/Distribution software or by mail (reports are mailed daily). Lenders can view Consolidation loan guarantee, reject and denial information via RealTime Access (RTA).

G. If the program or function works with local units of government, (e.g., Councils of Governments, Soil and Water Conservation Districts), please include a brief, general description of these entities and their relationship to the agency.

N/A

H. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding sources are corporate sources – recovery revenue, federal account maintenance fee, federal loan processing and issuance fee, federal default aversion fee, federal delinquency prevention fee.

I. Are current and future funding resources appropriate to achieve program mission, goals, objectives, and performance targets? Explain.

Yes.

J. Identify any programs internal or external to the agency that provide identical or similar services or functions. Describe the similarities and differences.

None. LGO's primary customer contacts are with the FFELP schools and lenders, and FFELP borrowers.

K. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question J and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

L. Please provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

M. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. If this is a regulatory program, please describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

Schools and lenders comply with federal statutory and regulatory requirements established in the federal Higher Education Act and U.S. Department of Education. The U.S. Department of Education and TG conduct compliance reviews of schools, lenders, secondary markets, and servicers to insure compliance. Participants can be suspended or terminated from participation in the FFELP if they are found to be out of compliance with the program’s requirements.

N. Please fill in the following chart for each regulatory program. The chart headings may be changed if needed to better reflect the agency’s practices.

All complaints are handled by the Ombudsman’s Office.

Exhibit 15: Complaints <u>Against</u> Regulated Entities or Persons – Fiscal Years 2001 and 2002		
	FY 2001	FY 2002
Number of complaints received		
Number of complaints resolved		
Number of complaints dropped/found to be without merit		
Number of sanctions		
Number of complaints pending from prior years		
Average time period for resolution of a complaint		
Number of entities inspected or audited by the agency		
Total number of entities or persons regulated by the agency		

Default Prevention

Please complete this section for each agency program (or each agency function, activity, or service if more appropriate). Copy and paste the question boxes as many times as needed to discuss each program, activity, or function. Please contact Sunset staff with any questions about applying this section to your agency.

A. Please complete the following chart.

Exhibit 14: Program or Function Information — Fiscal Year 2002	
Name of Program or Function	Texas Guaranteed Student Loan Corporation (TG)
Location/Division	Default Prevention
Contact Name	Shelia Dunlap, Manager
Number of Budgeted FTEs, FY 2002	60.5
Number of Actual FTEs as of August 31, 2002	56.5

B. What are the key services of this function or program? Describe the major activities involved in providing all services.

Resolution of delinquencies of loans under the Title IV Federal Family Education Loan Program student loans, including:

- Contact current borrowers via telephone and correspondence (delinquency prevention)
- Contact delinquent borrowers via telephone and correspondence (default prevention)
- Respond to general information regarding the repayment of student loans
- Respond to delinquent borrower requests for information/services
- Provide assistance to lender in resolving borrower delinquencies by providing a variety of options to borrower to resolve their delinquency
- Provide skip trace assistance to lenders
- Provide various reports to the lenders/schools to assist in the reduction of cohort default rates and in the prevention of student loan defaults

C. When and for what purpose was the program or function created? Describe any statutory or other requirements for this program or function.

TG was created by the Texas Legislature in 1979, TG is a public, nonprofit Corporation that administers the Federal Family Education Loan Program (formerly known as the Guaranteed Student Loan Program) in Texas. The FFELP was created by the Higher Education Act of 1965, as amended, with regulatory requirements that may be found at Title 34 CFR 682. Default aversion was written into the HEA in 1998 Reauthorization of the Act. Default aversion regulations became effective July 1, 2000.

D. Describe any important history not included in the general agency history section, including a discussion of how the services or functions have changed from the original intent. Will there be a time when the mission will be accomplished and the program or function will no longer be needed?

N/A

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Lenders are required to notify the guarantee agency when a borrower is at least 60 days delinquent. Default Aversion Assistance is assistance that a guarantor provides to supplement a lenders efforts to prevent defaults on a borrower's loan, but that does not replace the lenders responsibility to perform due diligence. If the lender fails to continue required due diligence while the guarantor is providing assistance, interest penalties or a loss of guarantee on the loan may result.

Lenders, schools and guarantee agencies are responsible for the reduction of cohort default rates and in the prevention of defaults through curing delinquent loans and engaging in pre-delinquency counseling.

F. Describe how the program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Federal regulations governing the Federal Family Education Loan Program found at Title 34 CFR 682.

In summary, TG Default Prevention contacts delinquent FFELP borrowers to re-establish a current repayment of their loan obligations which includes letters of correspondence and telephone attempts. TG provides the borrower with a wide variety of options which allows them to bring their account into current standing and conversely TG provides the borrowers with the consequences of defaulting on their student loan obligation.

Workflow: In general, lenders, or servicers submit a default aversion assistance request (DAAR) to TG Default Prevention as soon as a borrower reaches the 60th day of delinquency. Default Prevention begins a letter and call campaign to encourage the borrower to resolve his or her delinquency. Resolution of the delinquency often involves counseling the borrower in the use of deferments, forbearance, flexible repayment options, loan consolidation, or loan combination.

When a lender or servicer submits a DAAR, Default Prevention sends a series of up to six delinquency letters through the 230th day of delinquency advising the borrower of available repayment options and actions that may be taken against the borrower should he or she default. DPRV also calls the borrower two-to-three times between the initial DAAR filing and the 159th day of the borrower's delinquency. Additional telephone calls are scheduled periodically until the 230th day of delinquency. As with due diligence activities for lenders and servicers, there is no gap longer than 45 days in TG's due diligence activities.

TG provides several reports designed to assist schools and lenders in their own default aversion efforts. Through a subscription service, DPRV provides schools with a weekly Notice of Default Prevention Activity report. The comprehensive report notifies schools of borrower delinquencies at day 60, day 159, and again at day 210. This report also identifies borrowers who cannot be located, borrowers who have been cured by deferment, forbearance, and payment, or borrowers who are in a claim-pending status with TG.

G. If the program or function works with local units of government, (e.g., Councils of Governments, Soil and Water Conservation Districts), please include a brief, general description of these entities and their relationship to the agency.

Data exchange with Work Force Commission to provide address information for the purpose of contacting delinquent borrowers.

H. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding is based on performance accountability measures. TG's Voluntary Flexible Agreement [VFA] with the Department of Education [ED].

Delinquency Prevention Fee (DPF) – The Department shall pay TG a fee for delinquency prevention. The fee will be variable (net back) based on an incremental decrease in the dollar amount of Default Aversion Assistance Requests (DAARs) as a percentage of the dollar amount of loans in repayment as of the federal fiscal year end prior to the year (hereafter "prior federal fiscal year end") in which the calculation is made. The Department shall pay the DPF monthly at the annualized performance rate which shall be computed by dividing the dollar amount of annualized, cumulative DAARs by the amount of prior federal fiscal year end "Loans in Repayment" as reported on the prior federal fiscal year end Form 2000. The DPF shall be paid at the following rates based on the formula in this Section:

Calculation Percentage	Fee
30% and above	0.05%
29-29.99%	0.08%
28-28.99%	0.10%
0-27.99%	0.12%

The fee calculated under this Section will be multiplied against the dollar amount of loans in repayment on which TG has not received a default aversion request from the lender.

Default Aversion Fee (DAF) – The Department shall pay TG a DAF on a monthly basis. A base fee of one and one-quarter percent of DAR principal and interest shall be earned in the month the DAR is received by TG subject to a variable, performance-based fee increase in the claim filing deadline month in which the fee rate paid on DAARs that do not have a default claim filed before a given month's claim filing deadline (plus any claim recalls) by the original total dollar amount of DAARs for the respective month. This calculation is commonly referred to as the "cure rate." TG will refund the total DAF received on any loan that later defaults. TG shall re-bill for DAF in the event of a recurring delinquency, but no more frequently than once every 12 months. TG may set a mandatory pre-claim DAAR filing window for lenders at 60 days with an extra five days for mailing time. The DAF will be paid under the following schedule based on TG's performance rate:

Performance Rate	Fee
0-87.99%	1.25%
88-88.99%	2.00%
89-89.99%	2.50%
90-91.99%	3.00%
92% and up	4.00%

I. Are current and future funding resources appropriate to achieve program mission, goals, objectives, and performance targets? Explain.

Yes, barring any significant changes to fees during the HEA reauthorization process.

J. Identify any programs internal or external to the agency that provide identical or similar services or functions. Describe the similarities and differences.

There are other Guaranty Agencies as designated by ED that provide similar services as TG (they would be funded by the Department of Education according to federal regulations or their specific Voluntary Flex Agreement with ED).

K. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question J and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

TG's extensive default aversion program adds value and complements default aversion activities performed by schools, lenders, and servicers.

L. Please provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

M. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. If this is a regulatory program, please describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

N. Please fill in the following chart for each regulatory program. The chart headings may be changed if needed to better reflect the agency's practices.

All complaints are handled by the Ombudsman's Office.

Exhibit 15: Complaints <u>Against</u> Regulated Entities or Persons – Fiscal Years 2001 and 2002		
	FY 2001	FY 2002
Number of complaints received	*Defer response to TG Ombudsman	
Number of complaints resolved	TG Ombudsman	
Number of complaints dropped/found to be without merit	TG Ombudsman	
Number of sanctions	N/A	
Number of complaints pending from prior years	TG Ombudsman	
Average time period for resolution of a complaint	TG Ombudsman	
Number of entities inspected or audited by the agency	Defer response to TG Program Review	
Total number of entities or persons regulated by the agency	TG Program Review	

* TG Default Prevention does not track individual borrower complaints (please refer to TG's ombudsman for Statistics related to borrower complaints received).

Claims

Please complete this section for each agency program (or each agency function, activity, or service if more appropriate). Copy and paste the question boxes as many times as needed to discuss each program, activity, or function. Please contact Sunset staff with any questions about applying this section to your agency.

A. Please complete the following chart.

Exhibit 14: Program or Function Information — Fiscal Year 2002	
Name of Program or Function	Claims
Location/Division	
Contact Name	Ron Stroud
Number of Budgeted FTEs, FY 2002	11
Number of Actual FTEs as of August 31, 2002	10

B. What are the key services of this function or program? Describe the major activities involved in providing all services.

The Claims sub-process reviews and processes insurance requests from lenders in an accurate and timely way, so that lenders can remain confident in working with TG to back the funds they provide for families and students and so TG can receive reinsurance from the federal government on all paid claims.

C. When and for what purpose was the program or function created? Describe any statutory or other requirements for this program or function.

The Claims sub-process was created at TG's inception. Claims is responsible, as stated in the basic program agreement with the Department of Education, for monitoring lenders for compliance with all policies and procedures associated with the FFEL Program. Specifically, 34 CFR 682.401 (b)(19)(i) states that "The guaranty agency shall establish, disseminate to concerned parties, and enforce standards and procedures for..." (E) "the exercise of due diligence by lenders in making, servicing, and collecting loans" and (F) "the timely filing by lenders of default, death, disability, bankruptcy, false certification, and ineligible loan claims". Proper performance of due diligence and collection activity is monitored in the Claims sub-process in accordance with 34 CFR 682.411.

D. Describe any important history not included in the general agency history section, including a discussion of how the services or functions have changed from the original intent. Will there be a time when the mission will be accomplished and the program or function will no longer be needed?

While there have been numerous regulatory changes to requirements for proper servicing and collection of student loans, the function of this sub-process (monitoring that performance) has remained constant. There will be a continuing need for this function until such time as there is no longer a basic program agreement for the FFELP with the Department of Education.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

The function of claim review affects lenders, schools, and borrowers.

Lender eligibility is addressed in 34 CFR 682.401(b)(7). An eligible lender must properly negotiate a Lender Participation Agreement with TG and must not be subject to LS&T proceedings by the Secretary of Education, must not be disqualified by the Secretary of Education under sections 432(h)(1), 432 (h)(2), 435(d)(3), or 435(d)(5) of the Higher Education Act or 34 CFR 682.712, and there must be no State constitutional prohibition affecting the lender's eligibility.

School eligibility is addressed in 34 CFR 682.401(b)(6). An eligible school must have a program participation agreement in effect with the Secretary of Education under 34 CFR 682.600, must not be subject to LS&T proceedings by the Secretary of Education, must not be ineligible under section 435(a)(2) of the Higher Education Act, there must be no State constitutional prohibition affecting the school's eligibility, and the school's program of study must not consist of study solely by correspondence. Also, the school must satisfy the standards of administrative capability and financial responsibility as defined in 34 CFR part 668, the school must make timely refunds to students as required in 34 CFR 682.607(c), and the school must satisfy, within 30 days of issuance, any final judgment obtained by a student seeking a refund. In addition, the school or an owner, director or an officer must not be found guilty or liable in any criminal, civil, or administrative proceeding regarding the obtaining, maintenance, or disbursement of State or Federal student grant, loan, or work assistance funds and must not have unpaid financial liabilities involving the improper acquisition, expenditure, or refund of State or Federal student financial assistance funds.

Borrower eligibility is addressed in 34 CFR 682.201. A borrower is eligible to receive a Stafford loan, and an independent undergraduate student, a graduate or professional student is eligible to receive an unsubsidized Stafford loan if the student who is enrolled, or accepted for enrollment, on at least a half-time basis at a participating school meets the requirements for an eligible student under 34 CFR part 668.

F. Describe how the program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The Claims sub-process staff consists of 3 clerical personnel and 5 professional-grade claim examiners. There is also a supervisor of the clerical functions and a senior work leader that coordinates examination activities. The clerical supervisor, the senior work leader and the claim examiners report directly to the sub-process manager. The clerical staff is responsible for loading all claims received (5000-7000 per month) to a mainframe review system. Claims are loaded to this system on the same day they are received.

Claims are reviewed and final disposition is rendered well within the regulatory requirement of 60 days to maintain full reinsurance from the Department of Education, as stipulated in 34 CFR 682.406(a)(8).

G. If the program or function works with local units of government, (e.g., Councils of Governments, Soil and Water Conservation Districts), please include a brief, general description of these entities and their relationship to the agency.

N/A

H. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding for the Claims sub-process comes from the Department of Education in accordance with the federal reinsurance agreement in 34 CFR 682.404. Portions of the reinsurance agreement (34 CFR 682.404(a)(1)(i) and (ii) are amended by TG's Voluntary Flexible Agreement, through which TG is reinsured at 100% of total claims paid, regardless of loan disbursement date.

I. Are current and future funding resources appropriate to achieve program mission, goals, objectives, and performance targets? Explain.

Barring any significant reduction in the percentage of allowable federal reinsurance, the current level of funding is sufficient to facilitate claim payment.

J. Identify any programs internal or external to the agency that provide identical or similar services or functions. Describe the similarities and differences.

N/A

K. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question J and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

L. Please provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

M. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. If this is a regulatory program, please describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

TG is not a regulatory agency per se but is charged with the responsibility of general oversight, to insure compliance with federal statutory provisions governing the FFELP, as outlined in Part B of the Higher Education Act.

N. Please fill in the following chart for each regulatory program. The chart headings may be changed if needed to better reflect the agency's practices.

All complaints are handled through the Ombudsman's office.

Exhibit 15: Complaints <u>Against</u> Regulated Entities or Persons – Fiscal Years 2001 and 2002		
	FY 2001	FY 2002
Number of complaints received		
Number of complaints resolved		
Number of complaints dropped/found to be without merit		
Number of sanctions		
Number of complaints pending from prior years		
Average time period for resolution of a complaint		
Number of entities inspected or audited by the agency		
Total number of entities or persons regulated by the agency		

Collections

Please complete this section for each agency program (or each agency function, activity, or service if more appropriate). Copy and paste the question boxes as many times as needed to discuss each program, activity, or function. Please contact Sunset staff with any questions about applying this section to your agency.

A. Please complete the following chart.

Exhibit 14: Program or Function Information — Fiscal Year 2002	
Name of Program or Function	Texas Guaranteed Student Loan Corporation (TG)
Location/Division	Collections
Contact Name	Steve Rose, Compliance Analyst
Number of Budgeted FTEs, FY 2002	106
Number of Actual FTEs as of August 31, 2002	102

B. What are the key services of this function or program? Describe the major activities involved in providing all services.

Recovery of defaulted Title IV Federal Family Education Loan Program student loans, including:

- Contacting defaulted borrowers via telephone and correspondence
- Responding to defaulted borrower requests for information/services
- Establishing repayment agreements with, and provide billing statements to, defaulted borrowers
- Referral of loans to outside collection agencies/attorneys for collection
- Certifying borrowers for participation in the Treasury Offset Program
- Certifying borrowers for state/occupational license non-renewal; attorney license suspension
- Certifying borrowers for Warrant holds with State Comptroller
- Initiating Administrative Wage Garnishment for non-payment of defaulted student loans
- Referral of aged defaulted loans to the Department of Education for collection

C. When and for what purpose was the program or function created? Describe any statutory or other requirements for this program or function.

TG was created by the Texas Legislature in 1979, TG is a public, nonprofit Corporation that administers the Federal Family Education Loan Program (formerly known as the Guaranteed Student Loan Program) in Texas. The FFELP was created by the Higher Education Act of 1965, as amended, with regulatory requirements that may be found at Title 34 CFR 682.

D. Describe any important history not included in the general agency history section, including a discussion of how the services or functions have changed from the original intent. Will there be a time when the mission will be accomplished and the program or function will no longer be needed?

N/A

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

Affects borrowers who have defaulted on their Title IV FFELP student loans; borrowers must have applied for and must have been qualified to receive Title IV financial assistance as certified by their participating educational institution.

F. Describe how the program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

In general, TG Collections is administered in accordance with the Higher Education Act of 1965, as amended, and federal regulations governing the Federal Family Education Loan Program found at Title 34 CFR 682.

In summary, TG Collections contacts defaulted FFELP borrowers to establish repayment of the defaulted student loan obligations which includes letters of correspondence and telephone attempts. For borrowers who will not or refuse to pay, TG uses other resources to collect defaulted student loans including:

- An offset of a borrower's state or federal income tax refunds or other federal payments
- Initiate administrative wage garnishment and state lottery withholding
- Charging collection costs to defaulted borrowers
- Barred from renewal of any Texas Professional/Occupational license
- Suspension of Texas attorney's license
- Withholding of State Comptroller warrants and other reimbursed State expenses
- Reporting the student loan default to all national credit bureaus
- Filing of a civil law suit
- Assignment of the default account to the Dept. of Education for further collection

Workflow: In general, TG attempts to collect a defaulted student loan upon payment of a default claim to the borrower's lender. TG will attempt to collect the default for six months following claim payment. If these efforts are unsuccessful, the account will be placed with outside collection agencies for a period of 3 consecutive years (maximum of 1 year at any given agency). Following this, the account would be worked internally at TG for another 6 mos. and ultimately assigned to ED if no repayment agreement has been established. Federal regulations mandate assignment of aged accounts to the Dept. of Education for further collection (i.e., accounts that have aged at least four years from claim payment that have had no payments within the last year).

G. If the program or function works with local units of government, (e.g., Councils of Governments, Soil and Water Conservation Districts), please include a brief, general description of these entities and their relationship to the agency.

Data exchange of defaulted borrowers with state licensing agencies to affect non-renewal of state/ occupational licenses; data exchange of defaulted borrowers with State Comptroller to affect Warrant holds/releases; data exchange of defaulted borrowers with State Bar to affect attorney licensing suspension; data exchange with State employment agency for the purpose of determining defaulted borrowers potential for administrative wage garnishment; data exchange and loan status reporting with ED sponsored National Student Loan Data Systems (NSLDS).

H. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

Funding is derived from retaining a portion of student loan default recoveries (refer to TG's Voluntary Flexible Agreement [VFA] with the Department of Education [ED]).

I. Are current and future funding resources appropriate to achieve program mission, goals, objectives, and performance targets? Explain.

Yes.

J. Identify any programs internal or external to the agency that provide identical or similar services or functions. Describe the similarities and differences.

There are other Guaranty Agencies as designated by ED that provide similar services as TG (they would be funded by the Department of Education according to federal regulations or their specific Voluntary Flexible Agreement with ED).; TG utilizes outside collection agencies to assist in the recovery of defaulted student loans (funding for agencies is dictated by TG's contract with the agency while TG's funding is dictated by its VFA with ED).

K. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question J and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

Data exchange to identify defaulted borrowers with: State Comptroller; State Licensing Agencies; State Bar; and, State/Federal employment agencies.

L. Please provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

M. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. If this is a regulatory program, please describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

N. Please fill in the following chart for each regulatory program. The chart headings may be changed if needed to better reflect the agency's practices.

All complaints are handled through the Ombudsman's office.

Exhibit 15: Complaints <u>Against</u> Regulated Entities or Persons – Fiscal Years 2001 and 2002		
	FY 2001	FY 2002
Number of complaints received	*Defer response to TG Ombudsman	
Number of complaints resolved	TG Ombudsman	
Number of complaints dropped/found to be without merit	TG Ombudsman	
Number of sanctions	N/A	
Number of complaints pending from prior years	TG Ombudsman	
Average time period for resolution of a complaint	TG Ombudsman	
Number of entities inspected or audited by the agency	Defer response to TG Program Review	
Total number of entities or persons regulated by the agency	TG Program Review	

* TG Collections does not track individual borrower complaints (please refer to TG's ombudsman for Statistics related to borrower complaints received).

Customer Assistance

Please complete this section for each agency program (or each agency function, activity, or service if more appropriate). Copy and paste the question boxes as many times as needed to discuss each program, activity, or function. Please contact Sunset staff with any questions about applying this section to your agency.

A. Please complete the following chart.

Exhibit 14: Program or Function Information — Fiscal Year 2002	
Name of Program or Function	TG Customer Assistance
Location/Division	7 th floor, Tower / Customer focus
Contact Name	Sam Wilson
Number of Budgeted FTEs, FY 2002	12
Number of Actual FTEs as of August 31, 2002	12

B. What are the key services of this function or program? Describe the major activities involved in providing all services.

Responding to queries from TG -customers (student and parent borrowers, lenders, schools, secondary markets, servicers, etc.) and the general public about all aspects of the FFELP. Contact takes the form of telephone calls, e-mails, internet messages, letters, faxes and the occasional face-to-face contact. Process closed school and Teacher loan forgiveness discharges. Act as the Financial Aid Information Center for the State of Texas, responding to requests for information regarding all types of financial aid programs (federal, state, institutional and private) admissions and preparedness for college.

C. When and for what purpose was the program or function created? Describe any statutory or other requirements for this program or function.

October 1990.

D. Describe any important history not included in the general agency history section, including a discussion of how the services or functions have changed from the original intent. Will there be a time when the mission will be accomplished and the program or function will no longer be needed?

In 1999, TG Customer Assistance became the contact center for the Texas Financial Aid Information Center.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

TG’s Customer Assistance function has the potential to affect anyone who wants information about funding for college or other postsecondary education. CA provides information to students and families about filling out the Common Applications for Admission to Texas Public Universities, the Free Application for Federal Student Aid, and provide advice that assists students and potential students in navigating complex financial aid programs. Customer Assistance provides account level information, problem solving, account research and resolution to student loan borrowers, lenders and schools. We provide program guidance to lenders, schools and other business partners that participate in the student financial aid programs. CA assists students and prospective students in navigating and using web tools. (CollegeForTexans.com, Adventures in Education, Loans by Web, Mapping-Your-Future, etc), and assists elementary and secondary teachers who teach in economically depressed areas with loan forgiveness. This area also administers the US Department of Education’s loan forgiveness program for students adversely affected by attendance at a school that closes.

There are no requirements to receive assistance. Anyone who asks for our help will be assisted regardless of whether they have an established customer relationship with TG or not.

We assist:	Student loan borrowers and their parents	60%
	Colleges and other institutions of higher education	10%
	Lenders, Secondary markets and Servicers	5%
	The general public / awareness and outreach	25%

F. Describe how the program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Answering telephone calls and providing written responses to inquiries.

TG Customer Assistance receives approximately 130,000 calls each year, in addition to those received through the Texas Financial Aid Information Center. We are especially proud of Customer Assistance’s record of customer service. For example, for these 130,000 calls received, the abandon rate is .38% and the average speed of answer is 2.8 seconds. Overall over 96% of calls received are answered within 20 seconds of the caller being placed in the call waiting queue. Customer Assistance has consistently received customer satisfaction scores exceeding 4.7 on a 1 – 5 satisfaction scale.

G. If the program or function works with local units of government, (e.g., Councils of Governments, Soil and Water Conservation Districts), please include a brief, general description of these entities and their relationship to the agency.

TG Customer Assistance works closely with the Texas Higher Education Coordinating Board to understand and disseminate program information on the state student aid programs to the public, students, and schools.

H. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

N/A

I. Are current and future funding resources appropriate to achieve program mission, goals, objectives, and performance targets? Explain.

Yes. However, as already noted, TG has administered the Texas Student Financial Aid Information Center on behalf of the Coordinating Board at no cost to the state.

J. Identify any programs internal or external to the agency that provide identical or similar services or functions. Describe the similarities and differences.

None known

K. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question J and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

TG administers the Texas Financial Aid Information Center through our Customer Assistance sub-process and has an MOU with the Coordinating Board to generally assist it with Closing the Gaps activities.

L. Please provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

M. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. If this is a regulatory program, please describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

N. Please fill in the following chart for each regulatory program. The chart headings may be changed if needed to better reflect the agency's practices.

All complaints are handled through TG's Ombudsman's Office.

Exhibit 15: Complaints <u>Against</u> Regulated Entities or Persons – Fiscal Years 2001 and 2002		
	FY 2001	FY 2002
Number of complaints received		
Number of complaints resolved		
Number of complaints dropped/found to be without merit		
Number of sanctions		
Number of complaints pending from prior years		
Average time period for resolution of a complaint		
Number of entities inspected or audited by the agency		
Total number of entities or persons regulated by the agency		

Customer Services

Please complete this section for each agency program (or each agency function, activity, or service if more appropriate). Copy and paste the question boxes as many times as needed to discuss each program, activity, or function. Please contact Sunset staff with any questions about applying this section to your agency.

A. Please complete the following chart.

Exhibit 14: Program or Function Information — Fiscal Year 2002	
Name of Program or Function	TG Customer Services Sub Process
Location/Division	TG 2 nd Floor / CS
Contact Name	Vickie Tanner AVP or Cynthia Mayberry Asst Mgr
Number of Budgeted FTEs, FY 2002	39
Number of Actual FTEs as of August 31, 2002	40

B. What are the key services of this function or program? Describe the major activities involved in providing all services.

The Management Team obtains and assesses the information needed to coordinate TG Customer Service (CS) contacts and to facilitate the development of innovative customer solutions with the goal of improving service and the delivery of student aid funds. Through these efforts, students and families obtain easier access to information about financial aid, faster delivery of student loan funds, increased use of technology in applying for and receiving aid, reduced paperwork, and increased access to higher education and available resources.

Business Integration is the new Customer Services team which has three separate functions. The Business Integration Consultants (BIT) focus on the needs of new customers, as well as existing customers who are adding new TG tools during their initial integration period. These customers can reside in Texas or out of state. The BIT Consultants provide both onsite and telephone support to these customers. The BIT Profile Consultant sets up profiles for these customers and coordinates contracts for TG services. The BIT testing team works with external customers to test interfaces with TG.

Customer Service Consultants are primarily responsible for determining and foreseeing the needs of the state's financial aid community, including potential and current customers. Consultants also develop and facilitate training on TG solutions and tools. By knowing customer needs and building strong relationships with schools and lenders, consultants help ensure effective and efficient administration of the Federal Family Educational Loan Program. CS has six Texas School Consultants and two Lender Consultants who support national and Texas lenders. (Note: Strategic Partnerships

National Account Reps are counterparts to the Texas School Consultants for out of state schools).

The role of Product Management is to coordinate and manage the efforts and activities that are required to develop, maintain, and enhance the products and processes that TG's external customers use. Product Management is involved in managing the planning, design, creation, testing and deployment of products/processes as well as assuring adherence to corporate standards and communicating with TG's external and internal customers.

Production Support assists internal and external customers with technical needs related to TG's Electronic Services. This includes telephone support AdvanTG™, Business Network, Electronic Funds Transfer, and OnLine Access via the Web; assisting external customers with problems and questions by phone; handling technical requests from customers; and working with development teams to test pre-release software.

The Customer Services Training Team exists to provide training and support for TG's external and internal customers. They plan and coordinate events such as the annual TG Conference, the TG User Group meeting, Lender School Advisory board meetings, focus groups, and quarterly teleconferences. They also manage the TG Speaker's Bureau and conduct professional development workshops at various schools and conferences as needed. Additionally, the team distributes financial aid related forms and other documents to schools, lenders, and servicers upon request.

C. When and for what purpose was the program or function created? Describe any statutory or other requirements for this program or function.

N/A

D. Describe any important history not included in the general agency history section, including a discussion of how the services or functions have changed from the original intent. Will there be a time when the mission will be accomplished and the program or function will no longer be needed?

N/A

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

N/A

F. Describe how the program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

The map below indicates that division of Texas into CS Consultant Regions. The black numbers relate to the legend to the left of the map.

The numbers in the white boxes relate to the number of Speaker’s Bureau events each region.



CONS Team Leader - Harold Whitis x 2845

School Consultants
 Region 1 - **43 Schools**
 Delton Moore x 4918

Region 2 - **43 Schools**
 Neil MacQuarrie, x 4629

Region 3 - **45 Schools**
 Sharon Rodriguez, x 4540

Region 4 - **51 Schools**
 Debbie Dohmann, x 4759

Region 5 - **44 Schools**
 Ayeesha Green, x 4957

Region 6 - **46 Schools**
 Shanna Hollis, x 4813

Lender Consultants –
 Lisa Felder, x 4574

BIT/Lender Consultant Team Leader
 Chuck Ramos, x-4646

G. If the program or function works with local units of government, (e.g., Councils of Governments, Soil and Water Conservation Districts), please include a brief, general description of these entities and their relationship to the agency.

In carrying out training and information dissemination activities, e.g., college nights, Closing the Gaps workshops, etc. school, lender, and secondary market representatives in each area are partners with TG.

H. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

N/A

I. Are current and future funding resources appropriate to achieve program mission, goals, objectives, and performance targets? Explain.

N/A

J. Identify any programs internal or external to the agency that provide identical or similar services or functions. Describe the similarities and differences.

N/A

K. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question J and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

N/A

L. Please provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

M. Regulatory programs relate to the licensing, registration, certification, or permitting of a person, business, or other entity. If this is a regulatory program, please describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

N/A

N. Please fill in the following chart for each regulatory program. The chart headings may be changed if needed to better reflect the agency's practices.

All complaints are handled through the Ombudsman's office.

Exhibit 15: Complaints <u>Against</u> Regulated Entities or Persons – Fiscal Years 2001 and 2002		
	FY 2001	FY 2002
Number of complaints received		
Number of complaints resolved		
Number of complaints dropped/found to be without merit		
Number of sanctions		
Number of complaints pending from prior years		
Average time period for resolution of a complaint		
Number of entities inspected or audited by the agency		
Total number of entities or persons regulated by the agency		

Compliance

Please complete this section for each agency program (or each agency function, activity, or service if more appropriate). Copy and paste the question boxes as many times as needed to discuss each program, activity, or function. Please contact Sunset staff with any questions about applying this section to your agency.

A. Please complete the following chart.

Exhibit 14: Program or Function Information — Fiscal Year 2002	
Name of Program or Function	Compliance, Program Review, Policy & Regulatory Affairs
Location/Division	Policy and Compliance
Contact Name	Carol Lindsey
Number of Budgeted FTEs, FY 2002	20
Number of Actual FTEs as of August 31, 2002	20

B. What are the key services of this function or program? Describe the major activities involved in providing all services.

- Compliance Administrative Operations: Oversight of borrower objection processes relating to collection of defaulted FFELP loans; administration of loan discharges due to a school's false certification or failure to pay refunds; gate-keeping for school and lender eligibility to participate with TG and updates to mainframe data on them.
- Program Review: Performance of on-site reviews (audits) of participating schools, lenders, and collection agency vendors, and resolution of associated non-compliance findings and liabilities.
- Policy and Regulatory Affairs: Provision of regulatory guidance and training on FFELP and other federal financial aid program issues to TG customers, business partners, and team members; active participation in national groups to oversee updates to the *Common Manual* (unified FFELP policy guidance adopted by all guarantors) and recommend changes to federal FFELP forms; collaboration with other student financial aid organizations and the U.S. Department of Education to initiate and evaluate proposed changes or clarifications regarding federal rules and policies.

C. When and for what purpose was the program or function created? Describe any statutory or other requirements for this program or function.

Guarantors were created for the purpose of administering the federally guaranteed student loan program, and have always been required to assist the U.S. Department of Education in promoting the effectiveness and integrity of the program. Current federal regulations require that "A guaranty agency shall take such measures and establish such controls as are necessary to ensure its vigorous enforcement of all Federal, State, and guaranty agency requirements" [34 CFR 682.410(c)]. This federal mandate incorporates the compliance and program review requirements described above.

The policy and regulatory activities that TG engages in with the Department of Education and other organizations are also initiated in furtherance of TG's efforts to fulfill its federal and state responsibilities in administering the FFEL program. By working with other relevant organizations to streamline and standardize FFELP policies and forms, program administration efficiencies can be achieved at a higher level for FFELP participants and regulators. TG has experienced very positive overall results in terms of improved regulations, policy-making, and forms implementation through national collaboration efforts.

D. Describe any important history not included in the general agency history section, including a discussion of how the services or functions have changed from the original intent. Will there be a time when the mission will be accomplished and the program or function will no longer be needed?

Since the time that TG was created to administer the guaranteed student loan program, federal regulations have been revised on numerous occasions to strengthen guarantors' program oversight responsibilities. For example, the Department of Education issued new requirements in 1988 for guarantors to assume an expanded role in ensuring participants' compliance with federal rules governing the loan program – this led to guarantor program review requirements for schools and lenders as described above.

The Department has also required more vigorous efforts to collect defaulted loans over time, coupled by requirements for guarantors to provide due process opportunities for defaulted borrowers prior to initiation of involuntary collection actions such as federal tax offsets or administrative wage garnishment.

Finally, Congress has introduced new types of loan discharge and forgiveness relief to borrowers in certain circumstances since the early 1990s, so the false certification and unpaid refund loan discharge provisions referenced above were implemented by the Department and guarantors during the past decade.

Guarantors have always been charged with responsibility to administer the guaranteed student loan program, so compliance oversight, regulatory, and training responsibilities have always been a key part of TG's duties. Currently, there is no reason to expect this mission to change, since the federal government relies heavily on guarantors to fulfill this fundamental role in the administration of the loan program.

E. Describe who or what this program or function affects. List any qualifications or eligibility requirements for persons or entities affected. Provide a statistical breakdown of persons or entities affected.

In addition to the TG team members who carry out these oversight and regulatory functions, TG's borrowers, schools, lenders and other business partners are affected by the performance of these functions as applicable.

F. Describe how the program or function is administered. Include flowcharts, timelines, or other illustrations as necessary to describe agency policies and procedures. List any field or regional services.

Compliance Administrative Operations:

- Borrower objection processes are initiated by notifications to defaulted borrowers that certain collection activities will be initiated unless the borrower submits an objection demonstrating why the intended action should not be taken. Written statement, oral or in-person examinations of objections take place at TG; for wage garnishment actions, an external administrative law judge conducts formal hearings. Decisions and appeals are handled in writing between TG and borrowers.
- Loan discharges based on a school's false certification or unpaid refunds begin with identification of potential eligibility by TG or a borrower, followed by submission of a written discharge request. TG reviews the request and available information, and makes an eligibility determination. Written decisions and appeals are communicated between TG, the borrower, and in some cases the Department of Education.
- When school or lender eligibility is requested for the first time or to accommodate later changes in participation, a written application or notification initiates the determination process. Requirements for participation are largely based on federal rules, so participants must demonstrate that they meet federal and TG requirements to be granted approval to participate with TG in the FFELP.
- Updates to mainframe data on schools and lenders covers participation status, FFELP identification numbers, expansion of eligibility to include new locations or authorization for Consolidation Loans, and demographic changes that tie to operational processes in which TG is involved.

Program Review:

- Program reviews involve preparatory work by the institution and TG (in the office) as well as visits to inspect operations, sample borrower accounts, and conduct interviews with key employees. A summary report is issued, describing the non-compliance findings and corrective actions to be taken. When all findings, liabilities and other required actions have been satisfactorily addressed, the review is formally closed by TG. The Department of Education is notified of review outcomes.

Policy and Regulatory Affairs (PRAF):

- PRAF team members participate on national committees charged with proposing, evaluating, commenting on, and implementing regulatory, forms, and policy changes in the FFEL program.
- TG's regulatory and policy news publication, *Shoptalk*, is disseminated on a weekly basis to TG's customers, business partners and team members, and PRAF is responsible for much of the content development and editing of articles.
- Development and review of a wide range of FFELP industry training courses and presentations is also performed for internal and external audiences as issues arise or customers request training.
- The Department of Education is required by Congress to conduct a public Negotiated Rulemaking process prior to initiating regulatory changes, and this process requires extensive preparation and collaboration efforts by PRAF, other subject matter experts, and TG's senior management team.

G. If the program or function works with local units of government, (e.g., Councils of Governments, Soil and Water Conservation Districts), please include a brief, general description of these entities and their relationship to the agency.

The work of these three TG teams does not involve local units of government. However, both Compliance Administrative Operations and Program Review work closely with the Texas Workforce Commission's Proprietary School Division, and have occasional contact with the Texas Higher Education Coordinating Board (THECB) Community and Technical Colleges Division to resolve issues involving the educational programs and policies of schools.

In addition, Program Review conducts periodic reviews of the THECB in its role as a FFELP lender.

H. Identify all funding sources and amounts for the program or function, including federal grants and pass-through monies. Describe any funding formulas or funding conventions. For state funding sources, please specify (e.g., general revenue, appropriations rider, budget strategy, fees/dues).

The funding of these teams' activities is provided entirely through TG's annual operating budget.

I. Are current and future funding resources appropriate to achieve program mission, goals, objectives, and performance targets? Explain.

Current funding levels in TG's budget are appropriate to carry out these regulatory responsibilities.

J. Identify any programs internal or external to the agency that provide identical or similar services or functions. Describe the similarities and differences.

Guarantors serve as agents of the federal government in carrying out their FFELP oversight and administrative responsibilities. Therefore, the federal counter-parts to guarantor compliance and policy/forms development teams reside in the Department of Education to provide guidance to guarantors and other program participants. To some extent, guarantors themselves have similar processes in place to carry out these various responsibilities. However, a number of state-agency guarantors are experiencing substantial budget cuts and are therefore being required to scale back these operations as much as possible, shifting the workload increasingly to other, better financially equipped guarantors like TG.

Neither the Department nor other guarantors have responsibility to perform objection/appeal due process or loan discharge activities for TG borrowers, since these responsibilities must be conducted by the cognizant guarantor. While all guarantors are charged with program review responsibilities, the entities they are required to review, or the loan portfolios they are responsible to test for compliance, differ based on the identities of their primary participants that meet the mandate requirements. The Department performs some reviews of schools and lenders, but is not positioned to manage this responsibility on a national scale. Also, the nature of the Department's school reviews differs from those of guarantors, since the Department monitors participation in federal grant, campus work-study, and other loan programs also.

K. Discuss how the program or function is coordinating its activities to avoid duplication or conflict with the other programs listed in Question J and with the agency's customers. If applicable, briefly discuss any memorandums of understanding (MOUs), interagency agreements, or interagency contracts.

In terms of compliance oversight activities, there is currently a national effort underway to adopt a team approach, involving guarantors and the Department of Education, to performing reviews of lenders that actively participate with multiple guarantors and constitute required reviews for those guarantors. This involves expansion of the scope of the review to cover multiple guarantor processes and portfolios, but it appears to be a good opportunity to achieve greater efficiencies. The primary beneficiaries of these efficiency gains will be the lenders, since this effort will reduce the number of guarantor reviews. However, as an active participant in the Common Review Initiative, TG also hopes to achieve some efficiency improvements on lender reviews within the next few years.

Joint reviews of schools are also performed occasionally with the Department of Education or other guarantors, but there is not a significant opportunity for efficiency gains in terms of school reviews because schools typically participate with few or single guarantors.

Coordination of activities in the policy, regulations, and forms development and review process has been underway intensively since the mid-1990s, and that has brought about very positive benefits in terms of minimizing duplication, inconsistency, and potential conflict among guarantors, or between guarantors and their participating schools and lenders. The *Common Manual* was the crowning achievement of the past decade in this regard. In addition to sharing the workload of producing and maintaining this set of common policies to which all guarantors subscribe, written agreements with guarantors provide for cost-sharing responsibilities to ensure ongoing support for this important national initiative.

National committees and work groups have also substantially improved the coordination, quality and efficiency of regulatory, training and forms development/review efforts. TG is a recognized leader in advocating, leading and supporting these types of industry activities.

L. Please provide any additional information needed to gain a preliminary understanding of the program or function.

N/A

M. Regulatory programs relating to the licensing, registration, certification, or permitting of a person, business, or other entity. If this is a regulatory program, please describe:

- why the regulation is needed;
- the scope of, and procedures for, inspections or audits of regulated entities;
- follow-up activities conducted when non-compliance is identified;
- sanctions available to the agency to ensure compliance; and
- procedures for handling consumer/public complaints against regulated entities.

TG’s Compliance, Program Review, and Policy & Regulatory Affairs teams do not deal directly with the licensing or certification of entities or individuals. However, as indicated in the response to Item G, Compliance Administrative Operations and Program Review work closely with the Texas Workforce Commission’s Proprietary School Division, and occasionally with THECB, to address administrative, financial, and academic issues concerning schools for which we share oversight responsibility. State authorization is one of the regulatory approvals a school must acquire and maintain to participate in the federal student aid programs that include FFELP - a loss of state authorization precipitates loss of federal aid eligibility. While the responsibilities and focus areas of TG and these agencies differ, overlap in the purview of state and federal rules (e.g., financial standards) leads to interaction among the regulators. TG’s approval program relates to permitting a school or lender to participate in the FFELP. As indicated previously, the standards for participation are established in federal regulations, which specify that “The guaranty agency shall ensure that its program and all participants in its program at all times meet the requirements...of this part.” [34 CFR 682.401(b)(19)(ii)] This is carried out through routine oversight of participants, as well as complaint investigation processes that involve these teams when appropriate. In addition to the Department’s mandate for guarantors to perform program reviews and require resolution of findings and liabilities, guarantors are required to take action to revoke FFELP eligibility, and initiate a referral to the Department to revoke all federal student aid eligibility, if a school or lender commits serious violations of federal requirements that merit such action. This is necessary to protect the integrity of the student aid programs and the interests of borrowers, guarantors, and the federal government and taxpayers.

N. Please fill in the following chart for each regulatory program. The chart headings may be changed if needed to better reflect the agency’s practices.

All complaints are handled through the Ombudsman’s office.

Exhibit 15: Complaints <u>Against</u> Regulated Entities or Persons – Fiscal Years 2001 and 2002		
	FY 2001	FY 2002
Number of complaints received		
Number of complaints resolved		
Number of complaints dropped/found to be without merit		
Number of sanctions		
Number of complaints pending from prior years		
Average time period for resolution of a complaint		
Number of entities inspected or audited by the agency		
Total number of entities or persons regulated by the agency		

VII. Agency Performance Evaluation

A. What are the agency's most significant accomplishments?

TG is proud that it has for the past 23 years served the students and families of Texas, and our partners in the student financial aid community, in successfully carrying out our statutorily mandated mission—to administer the FFELP—and in being able to provide an array of support services related to our overall mission at no cost to the State of Texas, e.g., Mapping Your Future, Texas Mentor, Job Gusher, Adventures In Education, Charley Wootan Grant, Closing the Gaps, Texas Financial Aid Information Center, the Council for the Management of Educational Finance, and a resource for student financial aid policy information. Since guaranteeing its initial federal loan in 1981, TG has processed over 6 million student loan guarantees to over 2 million borrowers, making TG the 3rd largest FFELP state guarantor in the country.

B. Describe the internal process used to evaluate agency performance, including how often performance is formally evaluated and how the resulting information is used by the policymaking body, management, the public, and customers.

TG uses a performance-based system for evaluating corporate, process, sub-process, and individual performance. Each year, the Senior Management Team establishes a set of overall corporate performance goals and measures and each process, sub-process, and staff member sets individual performance, goals and measures. Performance is monitored throughout the year, and one of the goals—customer satisfaction—is measured through two external surveys conducted by a third party vendor. Annual evaluations take into account both individual performance in achieving one's annual goals, as well as those of the corporation, one's process, and one's sub-process. The final measure—expressed on a 1 to 5 overall score—is linked to the annual corporate financial surplus goal for purposes of determining an individual's annual bonus.

C. What are the agency's biggest opportunities for improvement?

TG exists in a highly competitive environment with other, larger, and better financed, guarantors, servicers, secondary markets, and lenders that have as a collective goal to consolidate the administration of the FFELP under a single entity. Within this environment, because of a strong, successful, and highly supportive Texas base of schools, lenders, secondary markets, servicers, and policymakers, TG has thrived. We believe that, with continued support, we can successfully compete with our strong record of customer service in other markets while continuing to put Texas first, and, indeed, strengthening our role in providing a competent administration of the FFELP with useful support services to the Texas student financial aid community and our students and families. In short, TG can, as a result of economies of scale, and needs to, identify and take advantage of opportunities to expand our area of service, in order to successfully compete in the student loan market, thereby, enhancing our ability to serve the students, families, and student financial aid partners in Texas.

In addition, we see an opportunity to play a stronger role in educating the state's policymakers about student financial aid, tuition, and higher education cost issues and policies. This is an area that seems lacking in terms of the legislature's reluctance in developing a rational set of policies

that are based on comprehensive objective data. With the database and research capability TG has, combined with the Texas Higher Education Coordinating Board's database of state student financial aid information, it certainly seems that together TG and the THECB have the combined capability to develop a singular, targeted, and comprehensive method of developing and providing up-to-date, timely, relevant information to the state legislature concerning the state of student financial aid in Texas.

D. How does the agency ensure its functions do not duplicate those of other entities?

TG was established by the state legislature in 1979 after two interim studies to determine if the State of Texas should maintain a state guarantor and administrator of the GSLP/FFELP—the largest student financial aid program in the state—on behalf of the U.S. Department of Education.. After all options were considered, e.g., directing the Texas Higher Education Coordinating Board to administer the loan program, contracting with another, out-of-state guarantor to be the Texas designated guarantor/administrator, etc., the legislature decided the current format was best. So, with respect to our core function, no other agency of the state or entity does this job. As for other support services and programs, TG works in conjunction with the state student financial aid community in initiating, developing, and administering these. We are, in a very real sense accountable for our decisions and actions to our customers, which include the state legislature, the U.S. Congress, Department of Education, as well as, schools and the lending community.

E. Are there any other entities that could perform any of the agency's functions?

It is conceivable that the State of Texas could contract the administration of the FFELP to an out-of-state guarantor, or assign TG's role to an existing state agency. Either of these options would result in a new cost to the state, and a loss of the ability to offer the programs that support the FFELP and access to postsecondary education that TG offers.

F. What process does the agency use to determine customer satisfaction and how does the agency use this information?

TG conducts customer satisfaction surveys. Two corporate surveys are conducted each year and each process and sub-process may conduct their own individual surveys of their primary customer base. All surveys are carried out by a third party vendor. Ad hoc surveys are also done, e.g., annual conference, lender/school advisory committee meetings, workshops, etc. Survey results are incorporated into TG's planning process.

G. Describe the agency's process for handling complaints against the agency, including the maintenance of complaint files and procedures for keeping parties informed about the process. If the agency has a division or office, such as an ombudsman, for tracking and resolving complaints from the public or other entities, please provide a description.

In 1994, TG created an Ombudsman position within the Office of the President for the purpose of providing a last resort for customers to have an impartial review of complaints. The Ombudsman receives and responds to inquiries and complaints filed by student loan borrowers against TG, lenders, or servicers.

In most instances, inquiries or complaints that are brought to the Ombudsman attention are related to borrowers whose loans are in default. Referrals to the office occur whenever a borrower's complaint is received through TG's Office of the President, the U.S. Department of Education, any legislative or congressional office, the Governor's office, Attorney General's office, any public consumer protection office. About 25 percent of these inquiries are from the Department of Education's Ombudsman Office concerning borrowers who received their student loans that were guaranteed by TG.

The TG Ombudsman process begins with the Ombudsman receiving an inquiry or complaint. A hard copy is created. The Ombudsman performs the research into the inquiry or complaint's issues, makes a determination, and provides a written response concerning the outcome of the review. If appropriate, a copy of the response is sent to other parties, e.g., legislative office, lender, school, etc., involved in the inquiry. A bi-monthly report of the number and types of inquiries received and the outcome is communicated to TG's management and supervisory staff (the inquirer's name and SSN is kept confidential). The hardcopy files are maintained in the Ombudsman's office. In addition, a monthly log is used to track each incoming/outgoing activity.

H. Please fill in the following chart. The chart headings may be changed if needed to better reflect the agency's practices.

(Agency Name) Exhibit 16: Complaints <u>Against the Agency</u> – Fiscal Years 2001 and 2002		
	FY 2001	FY 2002
Number of complaints received	359	456
Number of complaints resolved	359	456
Number of complaints dropped/found to be without merit	0	0
Number of complaints pending from prior years	0	0
Average time period for resolution of a complaint	5 days	4 days

I. What process does the agency use to respond to requests under the Public Information (Open Records) Act?

All requests for information submitted under the provisions of the Open Records Act are forwarded to and responded to by TG's Public Information Officer.

J. Please fill in the following chart with updated information and be sure to include the most recent e-mail address if possible.

(Agency Name) Exhibit 17: Contacts			
INTEREST GROUPS (groups affected by agency actions or that represent others served by or affected by agency actions)			
Group or Association Name/ Contact Person	Address	Telephone & Fax Numbers	E-mail Address
Texas Association of Student Financial Aid Administrators Marcus Wilson 2002-03 President	Texas Tech Health Sciences Center 3601 4th St., Rm. 38-310 Lubbock, TX 79430	806-743-3025 806-743-3027	Marcus.wilson@ttuhsc.edu
Southwest Association of Student Financial Aid Administrators Thomas Ratliff 2002-2003 President	Southwestern Oklahoma State University 100 Campus Drive Weatherford, OK 73096	580-774-3022 580-774-7066 fax	Ratliff@swosu.edu
Association of Texas Lenders for Education Janet Barger 2002-03 President	Citibank 1668 Choteau Circle Grapevine 76051	817-319-0051 817-416-0113 fax	Janet.barger@citicorp.com
Independent Colleges & Universities of Texas Carol McDonald	PO Box 13105 Austin 78711	512-472-9522 512-472-2371 fax	Carol.mcdonald@icut.org
Lender/School Advisory Committee Jim Lane, School Chair Texas A&M University	The Pavilion Room 230 College Station, TX 77843-1252	979-845-3961 979-847-9061 fax	Jlane@famail.tamu.edu
Lender/School Advisory Committee Jimmy Parker, Lender Chair Panhandle Plains Student Loan Center	1403 23 rd Street Canyon, TX 79015	806-324-4115 806-655-3669 fax	
Texas Guaranteed User Group David Garza, School Chair The University of Texas at Austin	PO Box 7758 Austin, TX 78713	512-475-6256	David.garza@forum.utexas.edu
Texas Guaranteed User Group Lynda Sheets, Lender Chair Panhandle Plains Higher Education Authority	PO Box 839 Canyon, TX 79015	806-324-4128	lyndas@ppslc.com

INTERAGENCY, STATE, OR NATIONAL ASSOCIATIONS (that serve as an information clearinghouse or regularly interact with the agency)			
Group or Association Name/ Contact Person	Address	Telephone & Fax Numbers	E-mail Address
National Council of Higher Education Loan Programs Brett Lief	801 Pennsylvania Ave., SE Suite 375 Washington, DC 20003	202-822-2106 202-546-8745 fax	brettlief@aol.com
National Association of Student Financial Aid Administrators Dallas Martin	1129 20 th Street, NW Suite 400 Washington, DC 20036	202-785-0453 202-785-1487 fax	martind@nasfaa.org
Education Finance Council Mark Powden	1155 Fifteenth Street, NW Suite 801 Washington, DC 20005	202-466-8621 202-466-8643 fax	markp@efc.org
LIAISONS AT OTHER STATE AGENCIES (with which the agency maintains an ongoing relationship, e.g., the agency's assigned analyst at the Legislative Budget Board, or attorney at the Attorney General's office)			
Agency Name/Relationship/ Contact Person	Address	Telephone & Fax Numbers	E-mail Address
Texas Higher Education Coordinating Board Don Brown	1200 East Anderson Lane Box 12788 Austin 78711	512-427-6100 512-427-6127	
Texas Education Agency Felipe Alanis	1701 Congress Ave Austin, TX 78701	512-463-8985	
U.S. Department of Education Office of Federal Student Aid Kristie Hansen Jeff Andrade	400 Maryland Ave., SW Washington, DC 20202	202-377-3301 202-275-5000 202-205-9895	Kristie.hanse@ed.gov Jeffrey.andrade@ed.gov

VIII. 78th Legislative Session Chart

No legislation directly affecting TG was introduced, considered, or passed during the 78th Regular Session of the Texas Legislature.

Texas Guaranteed Student Loan Corporation Exhibit 18: 78th Legislative Session Chart		
Legislation Enacted - 78th Legislative Session		
Bill Number	Author	Summary of Key Provisions/Intent
Legislation Not Passed - 78th Legislative Session		
Bill Number	Author	Summary of Key Provisions/Intent/Reason the Bill did not Pass

IX. Policy Issues

A. Brief Description of Issue

In order for TG to enhance its ability to continue to carry out its legislatively defined mission in Chapter 57 of the Education Code, continue to provide related supplemental programs and services, and offer the best possible service to Texas students, families, and out student financial aid partners, TG needs additional flexibility under Sections 551 – 575, Title 5 of the Texas Government Code - the Texas Open Meetings Act and Texas Open Records Act - and clarification of intent under Sections 57.21(b), 57.49, and 57.491, which concern cooperation of state agencies with TG in sharing information used to prevent student loan defaults and delinquencies.

B. Discussion

TG would like to take the opportunity afforded by the Sunset Review to discuss the impact on TG of having to comply with Sections 551-575, Title 5 of the Texas Government Code.

TG was established to administer the Federal Family Education Loan Program – a national program and the largest source of student financial aid in the nation and, by far, the largest student financial aid program in Texas (See attached State of Student Financial Aid in Texas). Since the FFELP is a national program, TG operates in a competitive environment with other out-of-state student loan private, for-profit entities and guarantors that market their products and services to Texas schools and Texas-based lenders, servicers, and secondary markets. Because TG operates under the provisions the Texas Open Meetings and Open Records Acts - this allows TG’s competitors to access Corporate proprietary marketing, business plan, and product and services information that TG cannot access about its competitors. This provides an advantage to TG’s competitors in TG’s own state.

Even though student loan borrower information has been designated confidential by the legislature, the state Attorney General (AG) has not provided a “previous determination” that such information may be withheld under the Open Records Act. This results in TG having to submit a request for an AG opinion each time a request for such information is made, resulting in time and resources being expended by TG and, we assume, AG staff.

TG’s personnel files have been ruled subject to the Open Records Act even though their salaries are not paid from “funds of the state”. TG’s opinion is that TG files should not be subject to such disclosure.

Therefore, TG would like to explore the possibility of integrating some degree of flexibility into this process without limiting the legitimate intent of these two statutes.

TG has improved its ability to prevent student loan defaults and delinquencies and collect defaulted loans over the years through improving its capabilities and through the development and implementation of effective, targeted, joint efforts with the U.S. Education Department, Texas schools, lenders, servicers, and secondary markets. In order to clarify the legislature’s intent that all state agencies are required to cooperate with TG in efforts to prevent student loan delinquencies and defaults, TG feels that the appropriate sections of Chapter 57 need to be strengthened with more precise language concerning information sharing responsibilities by state agencies with TG for the purpose of student loan default prevention.

Aside from these two general areas, TG has identified a few provisions within Chapter 57 that need updating, i.e., Section 57.22(a), Section 57.481, Sections 57.47(a) and (b), Section 57.491(h), and Section 57.71, and, possibly, clarifying language concerning TG's status within state government.

C. Possible Solutions and Impact

Allowing TG flexibility will allow the Corporation added ability to respond to changes within the national competitive environment in which it exists and to somewhat "level the playing field" with out-of-state private conglomerates, e.g., Sallie Mae, that are not subject to the same open disclosure requirements that TG is. Strengthening TG's ability to successfully compete in the student loan market will, in turn, allow TG to continue to provide the high level of customer service to its Texas customers that they have come to expect. Other suggested changes to these Acts, TG feels, are clarifying in nature that further distinguish TG as a public non profit rather than a state agency.

In addition, it is TG's opinion that the Board of Directors should be able to meet in executive session with the internal auditor and external auditor on selected issues outside the presence of management.

Clarifying and strengthening the legislative intent in those sections identified will enhance TG's ability to use all available information to assist it in its student loan delinquency and default prevention activities, and in its collection activities, thereby reducing the costs of the FFELP.

X. Comments

Given the recent focus by the legislature on improving access to postsecondary education, i.e., TEXAS Grant program, Closing the Gaps, etc., it is TG's opinion that Texas would benefit significantly if there existed the capacity to provide, on a regular, permanent basis, complete, thorough, accurate, and timely information concerning the state of student financial aid and access to Texas policymakers and their staff.

Currently, it appears that members of the state legislature pass ad hoc legislation to establish a grant program or a loan program targeting certain students only in response to a perceived need. For example, the TEXAS Grant program was established because of the 1996 Hopwood decision and the Texas B On Time Loan program was established in response to the legislative decision to deregulate tuition. This type of policymaking results in a patchwork of programs which, altogether, may not truly address the basic issue of informing, recruiting, retaining, and graduating students from underrepresented populations that will soon compose the majority of Texas' population and which is intended to be targeted by the Closing the Gap's initiative.

It is TG's opinion that, given the state's demographics, it will be crucial for future legislatures to develop sound, effective student financial aid policy to achieve the Closing the Gaps goals. This will require access to data that is complete and accurate.

Therefore, in order to provide better information to the state's policymakers, TG recommends that:

TG be authorized to access student data that the Texas Higher Education Coordinating Board collects through its student financial aid survey; and,

TG and the Texas Higher Education Coordinating Board be directed to develop this capacity—a student financial aid (or a postsecondary education access) advisory body to the legislature—that would include these two entities along with representatives from Texas education and student financial aid communities, which would have as its primary mission to identify relevant student financial aid/access issues and

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develop reports and recommendations to the legislature that describe the issue and recommend policy solutions.