



August 1, 2011

VFA Team
c/o Ms. Diane McLaughlin
U.S. Dept. of Education, Federal Student Aid, room 101J2
830 First Street, NE.
Washington, D.C. 20002

Dear Ms. McLaughlin:

Texas Guaranteed Student Loan Corporation (TG) is pleased to respond to the Notice set forth in the *Federal Register* (Vol. 76, No. 104, pp. 31312-31317), which invites guaranty agencies to submit proposals for entering into a voluntary flexible agreement, or VFA, with the Department of Education. Accordingly, TG submits two attached proposals for the Department's consideration.

While TG is eager to explore providing services to the Department under either proposal, its preferred course of action is to pursue the option provided under Proposal A.

We look forward to the opportunity to meet with the Department to discuss the attached proposals. We believe our proposals add value consistent with the benefits desired by the Department, including offering services that maintain or reduce costs and that serve the needs of multiple recipients, including students, schools, borrowers, and lender/servicers, and the federal government.

For specific questions related to either proposal, please contact:

James Patterson
Senior Vice President/Chief Financial Officer
TG
P.O. Box 83100
Round Rock, TX
78683-3100
Phone: (800) 252-9743, ext. 4611
Email: james.patterson@tgslc.org
Fax: (512) 219-4603

Sincerely,

A handwritten signature in black ink that reads "Sue McMillin". The signature is written in a cursive, flowing style.

Sue McMillin
TG President and CEO



TG Proposal for a Voluntary Flexible Agreement with the Department of Education: Proposal B

August 1, 2011



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EXECUTIVE SUMMARY

Texas Guaranteed Student Loan Corporation (TG) is pleased to present this proposal in response to the Notice set forth in the *Federal Register*, Vol. 76, No. 104, pp. 31312-31317 (Notice) inviting guaranty agencies seeking proposals to enter into a Voluntary Flexible Agreement (VFA) with the Department of Education (Department). This proposal is one of two submitted by TG.

Under this Proposal B, TG proposes to enter into a VFA to provide guaranty agency (GA) services in GA Responsibility Areas I (Lender Claims Review, Lender Claims Payment, and Collections) and III (Community Outreach, Financial Literacy and Debt Management, School Training and Assistance, and School Oversight). TG proposes to retain its own portfolio in these areas of service and provide these same services to the portfolios of other guaranty agencies under teaming agreements or other mechanisms implemented or allowed by the Department.

TG understands that in requesting VFA proposals, the Department's main objectives are to leverage the advantages of economies of scale, particularly in the area of loan collections and to permit individual guaranty agencies to perform in areas of mastery and programmatic strength.

Why TG?

TG is an ideal candidate to serve as one of the Department's designated guaranty agencies to absorb defaulted loan portfolios. As a public, nonprofit corporation with over 30 years of service, TG has broad industry knowledge, technological capability, and training offerings to continue its role and expand support to other higher education segments and communities in partnership with the Department.

TG has historically demonstrated high proficiency in recovering defaulted FFELP loans on behalf of the Department, while providing outstanding customer service and satisfaction in the area of collections. TG is an industry leader in collections, developing effective practices and yielding efficiencies, adjusting techniques and strategies to drive results, deploying specialty teams in-house to effectively address areas of challenge, and utilizing metrics and performance incentives to derive results for the Department.

One of the three largest guaranty agencies by outstanding loan volume (much of which is due to the remarkable growth during the last decade of its FFELP originations), TG has the capacity to scale up significantly. Because of extensive advance planning, TG is capable of accommodating significant growth in the form of additional collection volume from other agencies, and has the information technology capacity, Federal Information Security Management Act (FISMA) readiness, and established on-boarding processes to support that effort.



TG operates its current portfolio by combining in-house collections with the use of select third-party vendors. Currently, 75 percent of TG recoveries come from in-house collections. TG is readily able to add incremental volume in an orderly manner while continuing to derive superior results for the Department.

TG has established itself as an industry leader in the areas of outreach; financial literacy and debt management; school training, assistance, and oversight; and teacher loan forgiveness administration. Providing these services under a VFA would afford TG the opportunity to share its vision —“to be the premier provider of information, products, and services to help students and families realize their education and career dreams” — and expertise with an expanded population of higher education participants. TG’s tenured staff is equipped to enhance the integrity and stability of the FFELP by delivering expertise and quality of service to its customers of all types.

TG understands the changing face of America and the needs that are implicit as change ensues. In many ways, the state of higher education in Texas serves as a barometer for the nation. Like the U.S., Texas has a population growing in number and diversity, with a sizeable Hispanic minority. For more than three decades, TG has served diverse populations and the institutions they attend by addressing their special needs. Additionally, TG has served as an advocate for higher education in efforts to enroll, retain, and graduate more students from the historically underrepresented populations, and has remained an adroit administrator of one of the largest FFELP guarantee portfolios with the ability to provide special solutions to special challenges. TG knows from experience that one size does not fit all.

TG is financially strong and stable, with substantial Operating and Federal Fund reserves. Further, TG is keen to leverage its prior experience of operating under a VFA and under its own performance-based corporate environment to provide Area I and Area III services at an overall reduced cost to the Department.

As a longstanding member of the financial aid community, TG is eager to continue to assist the Department by rendering excellent, cost-effective services to students, families, borrowers, schools, and other stakeholders, now and into the future.

VFA GA RESPONSIBILITY AREA I – LENDER CLAIMS REVIEW, LENDER CLAIMS PAYMENT, AND COLLECTIONS PROPOSAL

Introduction

TG has a long history of success both in collections and in providing accurate and timely review and processing of claim payments. Since 2000, TG has collected over \$4 billion and maintained an average recovery rate of better than 29 percent. With the system capacity to substantially increase its current default loan portfolio beyond the current defaulted loan portfolio for the entirety of the FFELP, TG is positioned to offer claims and collections services on other portfolios entrusted to TG by the Department in cooperation with other GAs.

Objectives

To protect and maximize the federal fiscal interest through cost-effective processes and strategies, while supporting borrowers' long-term best interests and enhancing the integrity and stability of the FFELP, by delivering experienced and unsurpassed quality service to borrowers, schools, lenders, and the Department.

Activities

TG proposes the following activities under VFA GA Responsibility Area I.

Collections

TG's focus on achieving high recovery rate performance levels while delivering exceptional customer service is the cornerstone of its success in collections services provided in Texas and across the nation. Under the proposed VFA, TG will maximize recoveries by employing various techniques and strategies, and by constantly striving for greater efficiency and effectiveness while maintaining program compliance. Key areas of strength are highlighted below.

TG's collections team embraces the organization's performance-based culture, and analyzes borrower trends and economic data to adjust strategies in order to provide solutions best suited for each borrower. This emphasis on performance and strategic agility result in a higher return to the Department in the form of increased recoveries.

Collector performance is monitored closely and compensation is conditioned upon successful outcomes. A portion of collector compensation is "at-risk" and contingent upon achieving certain performance goals. Once collectors meet the minimum standards, they are eligible for bonus based on a tiered structure, with each bonus varying depending on individual results. Team bonus opportunities follow a similar structure in terms of minimum performance standards and specific collection goals. Management monitors collector performance through a variety of reports and statistical data on a daily, weekly, and monthly basis in order to optimize individual and team performance as well as ensure compliance with the requirements of TG's obligations to the Department.



TG's collections team believes that exceptional customer service must continue throughout the borrower experience, and since providing such customer service is imperative to TG's success, for more than a decade collector performance has also been measured through borrower survey cards which are independently distributed at random to borrowers contacted during the month. Over the last five years, the collective average customer satisfaction score of TG's default recovery teams is 4.66 on a 5-point scale.

TG maintains dedicated teams to assist borrowers depending on the options they choose to pursue. For example, TG has a team responsible for working with borrowers who opt to rehabilitate their loans. Specific touch points are in place to monitor borrower repayment and help keep the borrower on track. The team monitors payments and agreements, and ensures that borrower personal information is current. TG has seen its rehabilitation collections volume, totaling more than \$700 million over the last six years, increase 300 percent during that time period.

Going a step beyond, TG's collections team remains involved to assist lenders by contacting borrowers whose loans become delinquent even after loan sale. TG tracks rehabilitation loan default rates, currently at a low 18 percent over a 10-year period, monitoring the performance of its internal and external collections staff and the performance of lenders and servicers.

As another example, if the borrower chooses to consolidate, TG has an expert team dedicated to counseling the borrower on eligibility requirements, advantages, the consolidation process, and what to expect when the loan is disbursed. In addition, the team steps the borrower through the online consolidation application.

To assist a borrower who is struggling with monthly payments, TG offers extended repayment terms based on the borrower's balance, or a temporary repayment option to lower his or her payment amount for six months. At the end of this period, the borrower's financial situation is once again reviewed to reset continued lower payments or increased payments.

Regardless of which option the borrower pursues, TG focuses on educating the borrower and making the process as simple and pleasant as possible, and make the choice of repayment an option which is best suited for borrower success.

Consistent with this philosophy, in 1994, TG was one of the first GAs to establish an Ombudsman position to assist borrowers with exceptional concerns and work closely with legislators, lenders, and servicers to promote borrower advocacy.

TG remains focused on internal efficiency, as reflected in the collection cost rate charged to its borrowers, currently one of the lowest of all GAs. This represents a tremendous borrower benefit as well as a cost savings to the Department today and in the future. TG's internal collection operation (one of the largest of all GAs with over 80 collectors and a total staff of over 160) represents approximately 75 percent of TG's total recoveries; external collection agencies currently represent the remaining 25 percent.

TG currently manages seven collection agencies with the capacity to scale up as necessary. The collection agencies utilized by TG operate in a competitive environment and are evaluated on performance metrics based on dollars collected, types of recoveries, compliance with contract terms and regulations, as well as customer service to its borrowers. TG's system has the scale to provide monitoring and reporting of all collection agencies utilized by TG. TG staff reviews and monitors reports and detects any concerning trends which are then addressed with the agency. Prior to contract award and annually thereafter, TG reviews each agency's data protection capabilities (both physical and systems security), disaster recovery plans, financial audits, and third-party audits, as well as conducts onsite audits. TG works closely with each agency to ensure a seamless transition, and has the capability to scale staff to effectively manage any growth in utilization of outside collection agencies to service its portfolio.

Lender Claim Review and Payment

While fully Common Account Maintenance (CAM) compliant for the purpose of electronic claim processing including claim receipt, review, and final disposition, TG — through efforts of its tenured staff — is also able to process paper claims for those lenders that require this level of service. Regardless of the submission method, all claim data is processed through the same automated review edit logic, to ensure a full life-of-the-loan claim review, while maintaining compliance with all federal loan servicing regulations and Department-approved claim review processes. TG maintains process efficiency by utilizing standard random sampling methodology (based on the Department-approved post-claim sampling process) in the review of due diligence collection activity.

TG has a track record of providing accurate, timely, and compliant claim review and payment services as evidenced by the results of its independent A-133 audits, and TG commits to continue to provide the same levels of exceptional service under a VFA.

Systems

TG utilizes its robust and FISMA-ready Default Aversion, Claims, and Collections System (DACCS) to manage its collections portfolio and process claims. In addition, through TG's online borrower portal and repayment tool, myTGSM, many borrowers have successfully converted to the simplicity and ease of using auto-draft as a payment option. TG also accepts debit/credit card payments via the payment portal. Further, myTG gives borrowers the self-serve ability to view their loan accounts as well as obtain general student loan information.

DACCS employs optimum flexibility with regard to claim payment scheduling, allowing directed, same-day payment, scheduled weekly payment, or the ability to issue payment of any claim or designated group of claims on any non-scheduled date.

Implementation Plan

TG has developed an operational and information technology plan template and data migration process for loading other loan portfolios onto the TG systems. TG has a data management tool to automate the efficient migration of data that use industry standards or non-industry, proprietary data standards.

The implementation process calls for a portfolio specific plan to be developed based on the size, data standards, file layouts, data cleanliness and agreed to timeframes for the transfer and migration. In coordination with another entity, TG will first test the load process. Based on the test results, TG will begin implementation of the migration process or revise the plan accordingly. Following the successful loading of the loans, TG will cooperatively work with the partnering entity to schedule the orderly receipt of the supporting account records (paper or digital) identified in the plan.

The on-boarding volume and timelines are estimated below:

Collections Portfolio Size	\$1 billion or less 300,000 loans	\$1 – 2 billion Up to 600,000 loans	Greater than \$2 billion Greater than 900,000 loans
Loan Load to TG System	30 - 45 days	60 - 75 days	90 - 120 days
Receipt of Documents	60 days	120 days	180 days

TG has successfully tested this process using its own portfolio in July 2010.

Ongoing claims processing for non-TG-guaranteed loans will require loading loan guarantee records to TG’s front-end guarantee database in order to leverage the full automated claim review functionality of DACCS. TG will provide a file layout of the core data elements required for processing a claim for a non-TG-guaranteed loan. This would need to be provided by a servicer at, or just prior to, claim filing for optimum processing.

Success Measures

TG’s performance-based culture has historically utilized metrics as a way to monitor and manage to successful outcomes. TG commits to working with the Department to create — under the proposed VFA — meaningful success measures that align with stated objectives. Potential measures include:

- Recovery rate as currently calculated by the Department at federal fiscal year-end based on the cumulative collected dollars from the monthly Form 2000 divided by the beginning-of-the-year default portfolio.
- Independently administered customer satisfaction scores for collections services that average greater than 4.25 on a 5-point scale.
- Claims success as measured by paying claims timely and accurately, as defined in regulation and audited.

Consideration for Additional Efficiencies and Proposed Waiver

Under this VFA, TG would process and pay claims following its customary due diligence review but receive weekly, real-time reinsurance at a rate of 100 percent on loans that it administered whether based on a transfer from other guaranty agencies or from its own portfolio, following a process similar to that observed by TG and the Department under TG's previous VFA. In that instance, various waivers were contractually obtained from the Department to smooth the real-time process. These same waivers would be requested during the negotiation phase under this proposal. TG and all other subject agencies would escrow their respective current Federal Funds with the Department, as occurred under its prior VFA.

Additionally under this VFA, TG requests consideration of the following borrower benefits that would further reduce costs to the Department:

- TG's rehabilitation experience indicates that borrowers who reach the third to fifth payment window have the highest experience of missing more than two payments. TG's data shows that of those borrowers who reach the sixth or greater payment, there is a small percentage that will fall out. The data reflects that borrower behavior has changed and that borrowers are committed to making payments from the sixth payment and thereafter. Due to this discovery, TG is recommending a pilot to demonstrate that after six payments, the borrower who rehabilitates will demonstrate a commitment to pay with a lender, similar to a borrower who makes nine payments. This would require the Department to allow six payments versus nine payments to establish eligibility for rehabilitation. Shortening the period to establish eligibility allows borrowers to reestablish their credit sooner and makes Title IV eligibility an option once again for those hoping to return to school.
- Utilize TG as a designated GA to process bankruptcy accounts, leveraging TG's operating efficiency to lower the Department's current costs associated with processing these accounts.
- Allow accounts to be kept for seven years, instead of five years, prior to subrogation to the Department – In conjunction with TG's low collection cost rates as well as utilization of tools available to TG, this would create additional recoveries to the Department.

In addition, TG requests a waiver on any loan that is transferred to TG to accept the repayment terms that were set up with the borrower for rehabilitation, even though these terms may have been set up beyond the years provided on a standard repayment schedule or may otherwise contain regulatory flaws.

Further, TG proposes that at 34 C.F.R. § 682.401(b)(18), the following sentence be added to the end of the existing regulatory section:

“A GA which receives loans so transferred shall be subject to the regulations as though the transferee GA were the GA which guaranteed the loan or the GA which paid the claim filed by the lender, whichever is applicable; provided, however, that the transferee GA is entitled to rely on the transferring GA’s payment of a lender’s claim as proof of the insurability of, enforceability of, and compliance with all manner of statutory and regulatory requirements pertaining to the transferred loans; the transferring agency is not required independently assure the insurability, enforceability, statutory and prior regulatory compliance; pertaining to the transferred loans and such is deemed to be the case as of the date of the transfer of the guarantee respecting any loan so affected.”

A part of the intended effect of this language is that state law, regulations and rules requirements would be preempted under 34 C.F.R. § 682.410(b)(8) for a transferee GA in the same manner as if it were the agency which had paid the claim. Additionally, a GA receiving loans for collection by a transfer of guarantee, on which loan claims had already been paid by another agency would not be in a position to re-review the activity of a lender or prior GA, and the transferee GA should not be required to assess the loan’s validity or continuing insurability, or status as an insured FFELP Loan. Transferee agencies collecting loans paid by other GAs should be assured of the insurability, enforceability and statutory and regulatory compliance by Departmental fiat.

TG assumes that the loan guarantee would transfer to TG for loans in which TG performs claims and collections services, therefore, third-party servicer considerations are not included in this proposal.

VFA GA RESPONSIBILITY AREA III – COMMUNITY OUTREACH, FINANCIAL LITERACY AND DEBT MANAGEMENT, SCHOOL TRAINING AND ASSISTANCE, AND SCHOOL OVERSIGHT PROPOSAL

Introduction

TG recognizes that an informed student is one who is best equipped for postsecondary success in terms of academic achievement, student loan repayment expectation, and entry into the workforce. The converse is also true; an uninformed student is one who is less likely to complete higher education and is ill-prepared for repayment. As illustration of this point, TG data and national studies find a strong relationship between college student attrition and student loan default.

TG's services, expertise, and extensive relationships with institutions, school districts, education organizations, governmental entities, and nonprofit organizations, would continue to leverage the federal investment in Title IV funding, through a holistic approach to college access and success. On the whole, the services are designed to support students, especially those from low- to moderate-income families and who are underrepresented in postsecondary education, and the institutions that enroll them, across the multiple transition points in a student's educational experience. This approach is consistent with the spirit of the public service mission of GAs and their traditional role in postsecondary education. TG is prepared to discuss with the Department how the services proposed herein could be ready for replication or scaling, whether on a state or institutional level, for portfolios and/or areas of service outside that for which TG is currently responsible, to the extent necessary to assist the Department and in cooperation with other GAs to ensure full coverage of such services.

Community Outreach

Objectives

To increase college student enrollment, student success and completion.

Activities

For more than two decades, TG has provided pre-collegiate outreach services directly to high school students, through school teachers, administrators, and an increasing network of community-based organizations in Texas. TG has helped increase FAFSA completion in Texas through Financial Aid Saturdays, FAFSA telethons, FAFSA completion videos, and visits to high schools and community centers.

To illustrate its success in the area of outreach and awareness, TG offers the following. In the Austin metropolitan area alone, TG's efforts have contributed to a 15 percent increase in FAFSA completions. Sixty-nine percent of students surveyed said that because of TG's assistance, they felt they had enough information to apply for financial aid. Eighty-six percent of high school staff said that information TG presented made understanding financial aid easier and that TG's presence added value to their programs.

In addition, TG recognizes the invaluable role of community colleges in enrolling low-income and first-generation college students. Therefore, TG provides dedicated services to community colleges in Texas, helping inform financial aid practitioners through best practice sharing, professional development, training and information dissemination to optimize effective student service, enrollment, retention, default prevention and completion rates. Of community college administrators served by TG, 86 percent rate their satisfaction with TG's services at the highest level possible on an independently administered survey.

Also, TG currently enhances institutional practice in student persistence and degree completion through training and assistance for postsecondary education institutions. Since 2002, TG has engaged all sectors of higher education, state agencies, and educational associations to increase postsecondary enrollment, persistence, retention, and certificate and degree completion from a student-centric, institutional perspective. TG has trained hundreds of professionals in new approaches to comprehensive enrollment management, and certificate and degree completion, and has published six books or reports, and 50 scholarly, 26 practitioner, and 13 legislative articles. TG has assisted in developing P-16 councils and has collaborated with state agencies to achieve postsecondary educational objectives.

TG furthers the impact of its outreach activities through concerted efforts to share knowledge and build networks of like organizations. Through conference presentations, collaborative forums, seminars, webinars, simulcasts, and publications, thousands of professionals have improved policies and practice as a direct result of knowledge gained from TG grantees concerning college access, success, and completion.

In addition to continued delivery of these services, TG would draw from its extensive experience and success, lessons learned through industry collaborations, and a vision that addresses the needs of students and schools, to discuss piloting the following programs for possible further consideration by TG and the Department:

Apply4Success – Improve FAFSA completion at public high schools by offering workshops and learning programs for Texas high schools in the lowest ten percent in the state for FAFSA completion rates. TG would debut this program in Texas, if it yields favorable results according to agreed-upon success measures, TG would expand the program to other areas of the country, as deemed appropriate by the Department.

Success-Centric Institutional Initiative – Work with institutions to increase certificate and degree completion rates, and to eliminate barriers to continuous, full-time enrollment. If the program yields favorable results according to agreed-upon success measures, TG would expand the program to other areas of the country, as deemed appropriate by the Department.

Teacher Loan Forgiveness Program – Channel TG's success related to its current administration of the Teacher Loan Forgiveness Program by establishing a program that will: 1) provide outreach and education to teachers and potential teachers through state teacher associations and teacher's

colleges; and 2) enforce rigorous compliance with the regulations that govern the program to maximize the return on taxpayer investment. Expected improvement in the administration of teacher loan forgiveness would yield efficiencies and cost savings for the Department.

More detail regarding these proposed pilot programs are outlined in Appendices B, C, and D.

Financial Literacy and Debt Management

The TG Financial Literacy Program

Another way TG fosters student success is in the area of financial literacy. The TG Financial Literacy Program provides content-rich services to educate and motivate lasting behavioral change in students and practitioners. In FY 2011 year-to-date, the TG Financial Literacy Program has directly trained 2,511 students, and prepared 1,767 professionals to facilitate their own sessions using the program's curriculum. Of these trained professionals, 134 have presented to an additional 3,210 students for a combined total of 5,721 served. Student survey responses indicate that three months after the training, students are even more knowledgeable financially than immediately following the event, indicating that knowledge retention is influencing behavior and practice. TG seeks to continue its successful program under this VFA proposal, and provides a description of the program's objective and activities below.

Objective

To improve student knowledge of personal finance through a content-rich financial literacy program designed to help increase student success in postsecondary education.

Activities

The TG Financial Literacy Program would make available directly to postsecondary education students financial education content and instruction through institutional participation in the program. Title IV-eligible institutions would be eligible to participate in this program. The program (an online learning platform that TG currently delivers through its Learning Content Management System) would be the primary delivery mechanism for financial literacy instruction under a VFA. Use of the program also provides access to the online/electronic version of TG's unique assessment program and reporting of outcomes housed within the system and allows for scalability of the instruction to students.

TG would provide technical assistance to integrate institutions into the program. In addition, this program would make available to faculty and staff, at participating institutions that complete the integration process, a webinar-based training program to prepare them for effective use of the program courses. All financial literacy content would be provided to students online.

Success Measures

The TG Financial Literacy Program engages a robust evaluation process that measures students' knowledge gained, attitudes, and progress towards a personal financial literacy goal. All evaluation tools would be available in electronic format. Copies of the evaluation methodology and instruments are provided as Appendix E to this proposal.

TG Debt Management Services

TG has historically provided a variety of services to borrowers to help them make informed decisions about financing a higher education. TG's objective with these services and the activities through which TG provides assistance to borrowers are outlined below.

Objective

To improve student ability to manage educational debt through targeted services designed to encourage responsible borrowing and protect the federal fiscal interest.

Activities

- TG works to communicate efficiently with both current and potential borrowers. Using well-designed websites, calculators, social media, and webinars, TG provides opportunities for individuals to obtain proactively the knowledge they need to make informed decisions about their student loans. If borrowers understand the options available to them and the likely outcomes of their behaviors and choices, they will make better financial decisions. For example, TG maintains *Adventures In Education* (AIE™), an award-winning online college planning resource initially developed in 1995 that offers financial aid information, career guidance, and money and debt management tips to help families and students achieve their higher education goals. This was a predecessor to Mapping Your Future (MYF) which TG helped start.
- TG's communication methods — phone, email, and print and electronic publications, including web tools — are available in both English and Spanish.
- In 1997, TG established the Council for the Management of Educational Finance, now known as the Council for Student Financial Success in Higher Education, which provides leadership in innovative efforts to eliminate barriers to student loan repayment success. A consortium of 18 representatives from schools, student loan providers and servicing organizations, the Council advises TG on multiple default aversion issues ranging from financial literacy, default prevention training models, entrance and exit counseling curriculum, and degree completion. Since its inception, the Council and TG have trained more than 800 higher education administrators and more than 3,000 students on various aspects of educational finance. The Council created and provides a multi-methodology institutional training model for incorporating default aversion practices into strategic enrollment management plans.

Services associated with Financial Literacy and Debt Management could also be provided on a standalone or other creative basis for other GAs that might choose to provide the other Area III services under a VFA.

School Training and Assistance/Oversight

School Training, Assistance, and Review Program (*STAR Program*)

TG is a trusted provider of policy guidance, training, consultative assistance on matters of compliance, and default aversion. TG provides timely and thorough school reviews as a gatekeeper of the Title IV programs on behalf of the Department. Under this proposal, TG intends to continue to provide these critical services to schools and the Department under the infrastructure of the *STAR Program*, the objective and activities for which are outlined below.

Objective

To provide timely and meaningful training, assistance, and oversight services to institutions participating in the Title IV programs in a triaged process, to maximize efficient delivery and improved performance and compliance results.

Activities

School training and oversight services are related efforts on a continuum of offerings needed to ensure efficient delivery of funds, effective performance results, successful default management programs, and sound execution of programmatic responsibilities by schools. The TG *STAR Program* (the services for which are listed in Appendix F) would provide for development and validation of Title IV program knowledge that schools need to maximize operational outcomes and successfully administer the federal funds entrusted to them.

The TG *STAR Program* begins with timely dissemination of information on new and existing Title IV requirements, Department initiatives, and innovative default management practices, as well as current areas of interest, confusion, or deficient performance. Regional, in-person training events would be targeted toward schools that do not regularly participate in industry training conferences — that is, schools with limited resources to participate in training events such as the FSA or NASFAA annual conferences or other offerings. Note that in FY 2011 year-to-date, TG has trained over 1,850 school attendees face-to-face at regional, state, and national conferences. Additionally, such training events would be supported and reinforced by webinar offerings available to all schools on topics of importance for the successful administration of the Title IV programs. Again, since FY 2011, TG has trained over 2,000 attendees from over 650 schools via webinars; over 40 percent of these schools have attended two or more of these TG Web-based training events. The program would also incorporate self-assessment surveys and knowledge-transfer validation tools to evaluate the degree of improvement in operational outcomes and compliance understanding, confidence, and commitment.

In the area of default aversion consulting, TG would offer the following to schools:

- Program assessments and evaluations;
- Campus visits to discuss school policies and procedures;
- Technical assistance and consulting;

- Training in developing default management plans, implementing default aversion programs, and sustaining default aversion efforts; and
- Exit counseling and training for borrowers on successfully managing student loan repayment.

Risk factors identified by TG, the Department, and other cognizant entities would be utilized to identify schools requiring *STAR Program* services. Such risk factors may include, for example, significant growth in federal funding, operations, or programs; changes in personnel, management, or ownership; identified deficiencies in administrative capability or financial responsibility; or other indicators of potential program and compliance issues, such as high cohort default rates.

Schools with higher-risk profiles would receive more customized, intensive compliance advisory or oversight services. These would be provided via telephonic or videoconference consultation sessions, or through on-site general or focused compliance assessments or program reviews, as appropriate. TG recognizes the importance of professional audit knowledge to support school oversight services. Several of the program review staff either have obtained or are pursuing professional audit credentials such as Certified Government Auditing Professional (CGAP) or Certified Internal Auditor (CIA).

TG's core services in this area of responsibility would be directed to schools participating in the Title IV student financial assistance programs. However, TG also has skills and knowledge to enable TG to develop similar training and oversight services for schools receiving Title III and Title V funds administered by the Department. Thus, training and/or oversight services could be provided in support of other Department programs, if desired, to leverage administrative and cost efficiencies while expanding the Department's scope of coverage.

Success Measures

The effectiveness of the TG *STAR Program* would be measured using the following metrics:

- Knowledge transfer: This includes evaluation tools such as post-training assessments and software-based quizzes presented in an engaging manner as a part of a training curriculum;
- Compliance outcomes: This includes improved or sustained compliance performance as evidenced by results of follow-up compliance advisory or monitoring activities and subsequent program reviews or audits of schools that have received training or intervention services

In addition, TG's training events are, and would be, assessed using a combination of mechanisms. TG maintains an up-to-date training agenda by deploying market research surveys throughout the year to assess the needs of the financial aid community. Performance metrics are currently collected via evaluations following training events (e.g., the TG Annual Training Conference, regional conferences, and webinars). Attendees have reported high satisfaction with TG's training events, with average ratings for the 2011 TG Annual Training Conference and the sixty-eight training events held to-date of 4.49 and 4.48, respectively (on a 5-point scale). Performance metrics and assessments of training needs are key components of TG's overall training initiative, and they would be regularly monitored to gauge training effectiveness and demand for events in the financial aid community.

TG IS QUALIFIED TO DELIVER

Financial Capacity

TG has consistently maintained a strong Federal Fund Reserve Ratio (currently 1.5%), the strongest of all large guarantors. TG has almost \$400 million in current assets in its Federal Fund, and full reserves for future loan loss on the non-reinsurance exposure in its portfolio. TG's Operating Fund has over \$400 million in current assets and a fund balance in excess of \$350 million, and is fully reserved for estimated default aversion fee refunds. TG's financial strength provides it with the long-term viability to support services to its portfolio well into the future.

Technology Capability

In 2010, TG took significant proactive steps to prepare for administering additional GA portfolio. TG invested in expanded mainframe and network infrastructure, and re-engineered system applications to support a portfolio several times TG's current size. TG also implemented an industry leading data management system that enables the efficient migration and integration of portfolios and facilitates the rapid conversion of standard or nonstandard format portfolio records for use in TG systems. With almost \$20 billion in its outstanding guaranteed-loan portfolio and \$2 billion in its defaulted loan portfolio, TG's system is currently at less than 30 percent of capacity, allowing for significant scalability to absorb additional portfolio to assist the Department.

In addition, TG has on-boarding business integration capabilities, industry leading portal technology, industry leading digital document management and digital imaging capability, state-of-the-art phone and dialer systems currently supporting four TG call centers, effective risk-based security, and business continuity plans.

FISMA Readiness

As part of TG's strategic plan, in anticipation of the Department's needs, TG engaged the services of Deloitte to enable TG to become "FISMA ready" by July 2011. Deloitte's Federal Information Security Management Act/National Institute of Standards and Technology (FISMA/NIST) gap assessment included the development of a privacy impact assessment, a risk assessment report, a system security plan, and a POAM (Plan Of Action and Milestones); Deloitte also supported TG's remediation efforts associated with its FISMA readiness effort. As of the submission of this proposal, TG considers itself to be "FISMA ready." "Ready" means that TG employs NIST as a standard for all in-boundary, life-of-the-loan systems and business processes. All POAM items from the FISMA gap assessment have been remediated or addressed. "Addressed" means that the risk has been identified, risk mitigating controls are in place and full remediation plans are in process. TG has integrated the NIST risk assessment processes and development of an annual POAM into its security program policies and procedures to ensure an on-going repeatable process.



Prior to the launch of TG's FISMA readiness initiative, TG engaged Verizon Business in fall 2009 for its Security Management Program (SMP), which includes quarterly independent assessments and analysis of TG's security practices to identify areas for compliance with the International Organization for Standardization/International Electrotechnical Commission (ISO/IEC) 27001 and 27002 information security standards. Through these efforts, TG achieved 100% compliance with this comprehensive SMP and received its Cybertrust Certification, an industry recognized certification that provides evidence of TG's assurance to customers and regulators of the high priority TG places on its information security and risk management.

Operational Expertise

The individuals filling the management roles for TG's default prevention/debt management and collections teams have more than 25 years of FFELP experience each. More than 15 percent of TG's 600-plus staff has over 10 years' experience with the corporation, with almost 10 percent having more than 20 years' experience at TG. Program compliance and review staff average 14 years, claims and collections staff average 10 years, and default prevention/debt management staff average 4 years with the corporation. TG has worked hard to retain talent in its call centers, environments where, in other organizations, turnover rates are normally high.

TG's experience and knowledge allow TG to provide effective solutions to the students, parents, and schools that it serves on behalf of the Department. Due to the make-up of its Texas and national portfolio, TG is uniquely qualified to serve the students most challenged to access, complete and repay the costs of higher education – first-generation, low socioeconomic and minority students. This qualification, applicable to all stages of the life of the loan, is immediately portable to the national stage to proactively impact the changing characteristics of the overall national portfolio.

VFA Experience

TG has experience with VFAs, having operated under such an agreement for seven years. In its previous VFA, TG successfully addressed the issue of perceived GA conflict of interest by shifting revenue from post-default collections to delinquency prevention and default aversion. Outcome performance metrics were reported to the Department on a monthly basis. In addition, TG escrowed its Federal Fund, and successfully operated under a real-time, 100 percent reinsurance process. Finally, through its experience under the VFA, TG has an appreciation for functioning in a cost neutral environment, and knows how to consummate, execute, operate, and report accordingly.

Relationships and Customer-Centric Culture

TG has a history of development and delivery of resources, services, and tools serving a diverse set of customers, including schools from all industry sectors. All of TG's offerings are designed with student success in mind at each stage of the higher education experience, from pre-enrollment through graduation and loan repayment. TG's customer care approach is

performance-driven and has earned TG consistently positive scores on its customer feedback surveys. TG has surveyed its customers in most aspects of required GA servicing for over a decade with its most recent overall customer rating of 4.66 on a 5-point scale; this is source of pride for TG during this time of industry uncertainty and change. Finally, TG maintains strong relationships with key higher education industry associations in state and out of state.

Research and Analytics

TG has a seasoned team of research professionals solely dedicated and trained in applying sophisticated analytical techniques to the assessment and understanding of its various portfolios. The team informs decision-makers through business trend and public policy analysis. This team provides many research products and services including customized reports; school and legislative fact sheets; public policy reports; statistical predictive modeling; and forecasting. All of these outputs shed light on the issues that are important to students and families, borrowers, higher education institutions, policy makers and the Department. Additionally, as TG's successful performance depends, in part, on the performance of its guarantee portfolio, this team creates Portfolio Performance Reports (PPRs) that monitor loan volumes, default trends, collection performance, and other aspects of the loan portfolio.

Culture of Accountability and Internal Controls

TG stresses the need for a performance-accountable culture which is inherent in the tools and training provided to tenured team members. This culture maintains a strong focus on accountability to the customer – the student, the borrower, the higher education institution, and the Department. TG has a long-held belief in accountability, demonstrated through its management practice of integrating performance metrics at the corporate level, which are tied to compensation incentives, and cascading those required performance measures through the organization to the individual employee level. TG's metrics are intertwined and focus on the organization's emphasis on default prevention.

TG not only holds itself accountable for performance and customer service, the organization is also accountable for its ethical application of the rules and regulations that govern the GA activities, with a certified ethics officer on staff and a full-scale ethics program in place. In that vein, TG maintains a well-controlled and properly accounted for organization as evidenced through annual audits of its financial condition, internal controls, and compliance standards (A-133) by its outside auditor. The results of these audits have been profoundly favorable and are submitted on a timely basis as required by the Department. The operation of proper TG accounting systems is the primary responsibility of the Chief Financial Officer of the corporation, the Controller, and Assistant Controller, all of whom are licensed Certified Public Accountants.

In addition, TG has fully resourced and dedicated staff supporting its Privacy and Security Programs, and a robust and a routinely exercised business recovery/continuity program.

PRICING AND FEES

GA Services for the TG Portfolio

As currently computed under Higher Education Act (HEA) established rates:

Account Maintenance Fees (AMF) 0.06% of OPO as computed by the Department from NSLDS

Assigned Portfolio

As priced under this Voluntary Flexible Agreement:

Area I Services

Recovery Retention:

Cash Collections	█	
Consolidation	█	
Rehabilitation	█	plus cost*
Reinsurance	█	funded weekly by the Department with month-end true up as under TG's previous VFA, with escrow of the Federal Fund

Area III Services

█ per most recent IPEDS student count in assigned state
Department of Education National Center for Education Statistics (NCES), Integrated Postsecondary Education Data System (IPEDS)

*Reflects lower recovery retention fee rates, which accordingly provides cost savings for the Department relative to recovery retention currently paid to GAs under the HEA. The comparison of current cash flows to projected cash flows can be determined based on the size and nature of the portfolio(s) for which the Department requests TG to perform Area I services.

Appendices

APPENDIX A: HIGHER EDUCATION IN TEXAS — CHALLENGES AND CHANGES

Spread out among Texas' 26.9 million square miles and 25 million citizens are 146 postsecondary educational institutions and 1.5 million postsecondary educational students. More than 400,000 of these higher education students annually rely on federal student loans to pay for schooling. For the last academic year, Texas students borrowed about \$5 billion in federal loans, or five percent of total national disbursements.

The summary below offers a profile of other key characteristics of the state and a brief look at particular elements that may affect higher education enrollment, student persistence, graduation rates, and student loan repayment in Texas.

Population growth

During the last decade, Texas' population increased 20.6 percent compared to the nation's rate of 9.7 percent; 28 percent of Texas' population is under 18, which is also younger than the national average. The large percentage of young children (there are almost two million children younger than five) has the potential to drive economic growth to the extent these individuals become well-educated and productive citizens making a positive contribution to society. However, the resulting demand for education, from preschool through college, places a burden on the state. This challenge is exacerbated by recent reductions in state public education funding by \$4 billion over the next two years.

Unemployment and income

Coming out of the recent recession, Texas has fared pretty well compared to some other states. Texas' unemployment rate has improved over the past few years, rising from 37th out of 51 in 2006 to 18th in 2009.¹ Texas' current unemployment rate is 8.0 percent, significantly lower than the U.S. rate of 9.1 percent.² However, the average earnings in Texas continue to lag behind most other states.

Statewide median earnings ranked Texas 41st out of 51 in 2009.³ Texas tied with Mississippi for the highest percentage of hourly-paid workers earning at or below the existing federal minimum wage.⁴ Therefore, while Texas did not lose as many jobs proportionately as some other states during the recession, and, in fact, has added over 200,000 jobs in just the past year⁵, the wages earned are still lower than the vast majority of the U.S.

These lower wages led to lower rankings on many other important fiscal measures. Texas ranked 48th in 2006 on a measure of net worth, and 41st in 2007 on a measure of the percentage of

¹ BLS, "Unemployment Rates for States." <http://www.bls.gov/lau/#tables>

² BLS, "Regional and State Employment and Unemployment Summary." <http://www.bls.gov/news.release/laus.nr0.htm>

³ BLS, "Median Usual Weekly Earnings of Full-Time and Salary Workers by Sex and State, Annual Averages." <http://www.bls.gov/cps/earnings.htm#demographics>

⁴ BLS, "Minimum Wage Workers in Texas, 2010." http://www.bls.gov/ro6/fax/minwage_tx.htm

⁵ BLS, "Regional and State Employment and Unemployment Summary." <http://www.bls.gov/news.release/laus.nr0.htm>

households earning cash incomes below the federal poverty threshold. Texas residents' average consumer credit scores were the second worst in the nation in 2010.⁶ Texas has the sixth highest overall poverty rate⁷ and child poverty rate⁸ in the nation. One quarter, or about one million, of Texas children lived in poverty in 2009.

Demographics and diversity

Texas became a majority-minority state in 2003, meaning that the white population comprised less than 50 percent of the total population in Texas.⁹ This was primarily due to the growth of the Hispanic population, which is projected to continue growing rapidly for some time. By 2040, 64 percent of children, 60 percent of 18-24 year olds, and 62 percent of 25-44 year olds are projected to be Hispanic.¹⁰

Characteristic	Texas	United States
Racial/Ethnic Composition		
White	49.4**	61.8
Black or African-American	14.3	14.0
Hispanic or Latino	28.1**	14.1
Asian	5.6	5.9
Other	0.7**	1.9
More than one race/ethnicity	1.9*	2.4

** p < 0.05, * p < 0.10

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS), 2008"; (<http://nces.ed.gov/das/>)

Student statistics

Overall, one in five Texans have not completed high school, ranking Texas last in the nation in terms of high school graduation.¹¹ The current high school completion rate of Hispanics age 25 or older in Texas is only 57 percent, one of the lowest in the nation.¹²

⁶ Experian, "National Score Index, 2010." <http://www.nationalscoreindex.com/>

⁷ U.S. Census Bureau, Current Population Survey, "2009 Poverty Tables, Poverty Status by State." http://www.census.gov/hhes/www/cpstables/032010/pov/new46_100125_09.htm

⁸ U.S. Census Bureau, Current Population Survey, "2009 Poverty Tables, Poverty Status by State." http://www.census.gov/hhes/www/cpstables/032010/pov/new46_100125_11.htm

⁹ U.S. Census Bureau, American FactFinder, "Texas General Demographic Characteristics: 2003." http://factfinder.census.gov/servlet/ADPTable?_bm=y&-qr_name=ACS_2006_EST_G00_DP5&-geo_id=04000US48&-context=adp&-ds_name=ACS_2003_EST_G00_&-tree_id=309&-lang=en&-redoLog=true&-format=

¹⁰ Texas State Data Center and Office of the State Demographer, "Texas Population Projection Program: 2008 Population Projections." <http://www.txsd.c.utsa.edu/tpepp/2008projections/>

¹¹ Ibid

¹² U.S. Census Bureau, "2009 American Community Survey, Detailed Tables." <http://www.census.gov/acs/www/>

The higher education student population in Texas is very diverse, with a significantly lower percentage of white students and a significantly higher percentage of Hispanic students compared to their national counterparts.¹³

Texas students rely heavily on federal student aid. About 85 percent of aid dollars in 2008-09 came from the federal government compared to 74 percent nationwide,¹⁴ and 65 percent of student aid dollars in Texas are in the form of loans, compared to 55 percent nationwide.¹⁵ Texas spent less than half in total state grant aid than California and New York.¹⁶ With fewer grant aid options, Texas students often choose to mitigate their costs in other ways. For example, Texas students are significantly more likely to attend school part time and work full time compared to students nationwide.

Characteristic	Texas	United States
Enrollment Status		
Mostly full-time	50.2**	56.8
Mostly part-time	42.8**	38.9
Half-year full-time/half-year part-time	7.0**	4.3
Work Status While Enrolled in School (excluding work-study)		
Full-time	34.1**	32.2
Part-time	41.9	42.6
No job	24.0	25.2

** p< 0.05, * p< 0.10

Source: U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS), 2008", (<http://nces.ed.gov/das/>)

Loan default

Texas Stafford loan borrowers tend to have at least one of the characteristics that put them at risk for dropping out of school, which then greatly increases the likelihood that they will default on their loans. These characteristics include: delayed enrollment, part-time enrollment, financial independence, having responsibility for dependents, single-parent status, lacking a high school diploma, and working full time while in school.¹⁷

¹³ U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2008." <http://www.nces.ed.gov/das/>

¹⁴ TG, State of Student Aid and Higher Education in Texas, "Texas Highly Dependent on Federal Government for Student Aid." <http://www.tgslc.org/research/pdf/SOSA35.pdf>

¹⁵ TG, State of Student Aid and Higher Education in Texas, "Texas Students Highly Dependent on Loans." <http://www.tgslc.org/research/pdf/SOSA36.pdf>

¹⁶ National Association of State Student Grant and Aid Programs (NASSGAP), "40th Annual Survey Report on State-Sponsored Student Financial Aid." www.nassgap.org

¹⁷ U.S. Department of Education, National Center for Education Statistics, "National Postsecondary Student Aid Study (NPSAS) 2008." <http://www.nces.ed.gov/das/>

College completion is the best predictor of default. The college graduation rates of all ethnic and racial groups are significantly lower in Texas compared to such groups nationwide.¹⁸

Characteristic	Texas	United States
Graduation Rates by Race/Ethnicity		
White, non-Hispanic	36.2**	49.1
Black, non-Hispanic	32.0**	40.8
Hispanic	35.1**	47.0
Asian or Pacific Islander	49.4**	56.0
American Indian or Alaska Native	51.0**	53.8
Race/Ethnicity unknown	45.5*	46.5
Nonresident alien	44.5**	57.3

** p < 0.05, * p < 0.10

This represents the percentage of students who graduated from a two-year institute within three years or from a four-year institute within six years. (U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), 2007, (<http://nces.ed.gov/ipeds/datacenter/>))

TG and Texas higher education

It is no exaggeration to say that the future social and economic well-being of Texas is dependent on increasing enrollment, retention, and graduation rates among students in higher education, especially the state's Hispanic majority-minority. However, financing this objective in Texas is highly dependent on the availability of federal student loans as well as strong support for students and borrowers throughout college and repayment.

TG has devoted its resources and expertise to just these objectives since TG processed its initial student loans in January 1981. Through the provision of traditional student loan support programs required under the Higher Education Act, and through related programs that supplemented those basic services, TG has, with its state partners, achieved an exemplary record. TG is ready to continue and to expand that effort in ways that strengthen the federal student loan programs, support schools, and extend the promise of a higher education to more students in Texas and across the U.S.

¹⁸ U.S. Department of Education, Integrated Postsecondary Education Data System (IPEDS) 2007. <http://nces.ed.gov/ipeds/>

APPENDIX B: APPLY4SUCCESS PROGRAM

Objective

To increase FAFSA completion at public high schools with low FAFSA completion rates.

Activities

TG would provide outreach services to participating high schools in the fall and spring of each year through the *Apply4Success Program*, a pre-collegiate outreach program designed to help students prepare for and complete the FAFSA. Fall services would include financial aid and admissions planning webinars and other Web-based tools, while spring services would focus on actual completion of the FAFSA and a review of scholarship searches, according to the following timeline:

- October-November: TG would conduct admissions and financial aid planning webinars.
- January: TG would conduct a FAFSA webinar (training for counselors), conduct a webinar for students and parents, and create and distribute an updated video program — one that TG has produced for years — titled *The FAFSA Made Easy*.
- February-April: TG would conduct FAFSA completion workshops at participating high schools.

TG would employ a mixed-method approach, combining online and in-person presentations and workshops, webinars, and Web-based learning programs that feature call center support (in the form of live Q and A). Call center support would be provided to ensure immediate availability for follow-up technical assistance and guidance.

TG would invite targeted public high schools to participate in the program. Targeted schools would include those in the bottom ten percent with regard to FAFSA completion rates, according to the latest available Federal Student Aid (FSA) data, in Texas and other regions for which TG's experience and capability can be effectively deployed. Schools participating in the *Apply4Success Program* would be required to obtain commitment to the program from an upper-level administrator(s) (principal and/or superintendent), and designate a lead guidance counselor to provide TG longitudinal data that tracks student participation at outreach events and completion of the FAFSA.

Success Measures

The following key performance metrics would provide insight on students' knowledge of the student financial aid process and demonstrate successful FAFSA completion:

- FAFSA completion (FSA data)
- Student completion of admission and financial aid planning webinars (TG data)

TG would monitor student enrollment in a postsecondary institution (National Student Clearinghouse data) to monitor student progress from FAFSA completion to actual enrollment and share that data with participating high schools; this metric would not be included as an outcome measure for the VFA.

Current performance metrics for TG's community outreach (e.g., FAFSA training sessions, FAFSA completion workshops, and campus tour visits) have been collected using a combination of pre-/post-test and post-test only event evaluations. Participants in TG's events provided self-reported perceptions on a variety of constructs, such as the utility of the knowledge communicated and their level of satisfaction with the events. These data help inform program efficacy and identify areas for program improvement. In the current community outreach calendar, TG has demonstrated a high level of success in its events, with ratings above 4.00 (on a 5-point scale) on multiple performance metrics.

APPENDIX C: SUCCESS-CENTRIC INSTITUTIONAL INITIATIVE

Objectives

To promote the adoption of institutional practices resulting in increased certificate and degree completion rates, and to eliminate barriers to continuous, full-time enrollment, enabling students to complete programs of study within 150 percent of their published length.

Opportunity, once defined as college access, is no longer defined in terms of how many students enter postsecondary education; without institutional support, the goal of college completion is ephemeral at best. Postsecondary education completion is the new measure of student success. In seeking to achieve these objectives, TG would simultaneously increase the rate of return on the federal government's investment in Title III- and Title V-eligible institutions by improving student outcomes, including program completion, while facilitating progress towards the Obama Administration's stated goal of restoring the United States to the international leader in college attainment by 2020.

Activities

TG would launch the *Success-Centric Institutional Initiative*. Under this initiative, TG would engage, quarterly, invited Title III- and Title V-eligible institutions to an Initiative Orientation, providing research-based assessments and workbooks, instruction manuals, and other content delivered electronically with telephonic follow-up support. Newly created Student Success-Centric Institutions (hereafter, Success-Centric Institutions or SCIs) would develop and adopt institutional plans to improve certificate and degree completion rates incorporating *core or high-impact strategies* proven to increase student retention, success, certificate and degree completion. By August 2012, TG would be prepared to engage a cohort of institutions, with the ability to add new cohorts every quarter thereafter.

Success Measures

Research commissioned by TG (and performed by JBL Associates) has identified five themes that strengthen student retention, success, certificate, and degree completion. The themes are comprehensive and broken down into *key factors for success*, with *core or high-impact strategies for success* identified under each factor:

1. Institutional Commitment (Two Factors)
2. College Readiness and Support (Three Factors)
3. Connecting College with Career Paths (Three Factors)
4. Developmental Education (Two Factors)
5. Linking Success with Data (Two Factors)

Within 18 months of orientation, more than 50 percent of participating institutions would have adopted a new, or incorporated into an existing institutional plan for increasing certificate and degree completion rates, *core or high-impact strategies*. This goal is dependent upon the available resources at the target institutions. TG would monitor certificate and degree completion rates at each participating institution for comparison to similar, non-participating institutions.

APPENDIX D: TEACHER LOAN FORGIVENESS SUPPORT

TG strongly believes in the mission and objectives of the federal Teacher Loan Forgiveness Program (TLF Program), and strives to ensure that all qualified teachers are aware of the benefits of deciding to perform their teaching service at a Title I school. TG also believes the TLF Program best serves the national interest when the benefit is most effectively targeted to its intended recipients. TG's approach to advancing the social objectives of the TLF Program is two-pronged:

- Provide outreach and education to teachers and potential teachers through state teacher associations and teacher's colleges, and
- Enforce rigorous compliance with the regulations that govern the program, maximizing the return on taxpayer investment.

Building on TG's advocacy for and commitment to the objectives of the TLF Program, which go far beyond application processing, TG proposes a pilot program for Teacher Loan Forgiveness, the objective and activities of which are outlined below.

Objective

To increase awareness of federal teacher recruitment and retention benefits and improve the administration of teacher loan forgiveness (TLF), conferring significant taxpayer savings and augmenting the effectiveness of the TLF incentive to increase the number of qualified teachers.

Activities

TG would develop Teacher Loan Forgiveness support to provide TLF Program administration to eligible teachers and the broader community, deliver corresponding outreach and support for all eligible teachers, and assist in reducing the student loan balances of qualified teachers.

Since the inception of the federal TLF Program in 2001, TG has partnered with the Texas Education Agency (TEA) on outreach and teacher eligibility education, providing the agency with Web and policy resources; brochures, and training; call center support; and feedback, compliance, and denial trend information that the TEA uses to help its eligible teachers successfully navigate the application process.

TG would replicate the Texas partnership model with other state teacher associations and state agencies. Further, TG would provide awareness materials to postsecondary institutions to inform students aspiring to teach of the benefits of TLF, and influence teacher choice to serve at Title I schools.

TG's administration of the TLF program on a national level would reduce the federal government's overall Teacher Loan Forgiveness costs by implementing multiple quality control checkpoints to prevent the processing of ineligible or improperly certified TLF applications. TG is highly

compliance focused; is thorough with borrower follow-up; and respects borrower due process, having implemented an appeal process for denials. TG also verifies that the forgiveness payment is properly applied, first to the highest rate unsubsidized loans and then to subsidized loans. TG also provides overall debt management counseling to teachers while they are performing their qualifying service to help them optimize their TLF benefit. TG would provide outreach and support for all eligible teachers, and assist in reducing eligible teacher loan balances.

Success Measures

Teacher Loan Forgiveness support would consider two success outcomes:

- TG would assess the effectiveness of its state level teacher eligibility education and training efforts by measuring the reduction in the percentage of ineligible or improperly certified Teacher Loan Forgiveness applications relative to total TLF applications, as measured by the proposed TLF preliminary eligibility tool, thereby removing human subjectivity from the assessment.
- Satisfaction with TG's partnership offerings as indicated in a state agency/partner survey. TG's goal is to earn an average score of greater than 4.0 on a 5-point scale.

Because it takes so long to earn, student loan balance reduction as a measure of the effectiveness of the TLF incentive trails too far behind outreach and education activities to constitute a meaningful measure in the near term. A reasonable proxy for TG's TLF outreach effectiveness might be an increase in the percentage of new teacher graduates who elect to teach at a Title I school. This could be calculated as the quotient of the number of teachers in the national teacher registry database in the service area divided by the number of Title I teachers in that area.

APPENDIX E: FINANCIAL LITERACY ASSESSMENT AND EVALUATION INSTRUMENT

The TG Financial Literacy Program is a highly interactive instructional curriculum, comprised of a series of modules and accompanying exercises and quizzes. These modules explore a range of money management concepts, from managing credit to understanding employee compensation. Currently, there are ten modules available to students and administrators; however, TG will be expanding the curriculum over the coming year.

TG has designed its program to help students learn and retain critical financial literacy skills, and then put that knowledge into practice in their lives. To determine whether the program is successful in these objectives, TG conducts a learning assessment. Evaluation results can provide important information to:

- Document outcomes of TG's program
- Enhance current content
- Inform future program development

This appendix briefly describes the assessment methodology, summarizes some results to date of the program, and provides a copy of the evaluation instrument itself.

Assessment methodology

Assessment is an integral part of the TG Financial Literacy Program and a multi-stage process. Immediately after completing an online module, students are tested on what they've learned. One month and then again two months after instruction, email reminders are sent to participants to remind them to act on financial management goals they've set. Some participants also receive supplemental instruction at the one- and two-month intervals. Three months after a session, participants receive a Web-based follow-up evaluation. This evaluation consists of a series of questions that measure how much information students have retained and whether their training has positively affected their financial behavior.

Results Year-to-date

Modules of the TG Financial Literacy Program can be administered in-person or online. Assessments of either learning experience are conducted in the same manner: an immediate post-training test and follow-up emails and evaluation. TG has only recently made financial literacy training available via the Web. However, TG has conducted an assessment of its in-person presentations. Results of this training should indicate the program's overall effectiveness, whether provided in a classroom or online. As a matter of course, TG will evaluate its online training and use these findings to continue perfecting its Web-based modules and training materials.

Test administered immediately after training

Results from tests administered immediately after a training session indicate successful outcomes on a number of levels, including knowledge, attitudes, and behaviors. Some 4,148 evaluations were conducted FY 2011 year-to-date. Thirty-five percent of students provided their email address and to receive additional information about financial literacy from TG. Findings include:

- Students provided more correct answers on the topics they were presented (67 percent accuracy rate) versus topics not presented (64 percent accuracy rate).
- Overall rate of accuracy for all knowledge retention questions was 64 percent.
- Among all students, attitudes towards personal money management improved following the financial literacy education session.
- The content of the financial literacy education sessions were seen as useful and were also rated high on relevance to students' personal money management needs.

Three-month post-training evaluation

Approximately three months following a TG Financial Literacy Program session, students were sent a follow-up survey. The survey included specific questions to assess knowledge retention, attitudes toward personal money management, and progress toward achieving financial goals.

Follow-up evaluations were sent beginning in January 2011. Evaluations collected so far present these findings.

- Students provided more correct answers on the topics they were presented (84% accuracy rate) versus topics not presented (70 percent accuracy rate).
- Overall rate of accuracy for all knowledge retention questions was 72 percent.
- Goal achievement was promising — 52 percent students reported they accomplished a personal money management goal. Additionally, nearly 10 percent of students were still working towards their goal.
- Among all students, attitudes towards personal money management remained positive following the financial literacy education session.

Note that these findings reflect the initial year of the currently configured program.

TG expects growth in key metric areas as the program matures.

Assessment instrument



TG Financial Education Evaluation Form

Name _____

1. Please circle True or False for each statement below.

a) Interest rates for individual loans are based only on a borrower's credit history.	TRUE	FALSE
b) A borrower's credit history and credit score are essential to long-term financial security.	TRUE	FALSE
c) A person should address debt problems with lenders immediately.	TRUE	FALSE
d) When setting financial goals, being more general is helpful.	TRUE	FALSE
e) Compounding is the process of one's previous savings earning income now and in the future.	TRUE	FALSE
f) Needs vary across families and goods and service categories.	TRUE	FALSE
g) The primary purpose of a spending plan is to restrict spending to less than one earns.	TRUE	FALSE
h) A person who monitors his spending is most likely to have short term goals.	TRUE	FALSE
i) Employee benefits increase a worker's total compensation by more than 25% on average.	TRUE	FALSE
j) An employee should consider her compensation in light of cost of living and opportunity costs.	TRUE	FALSE

2. For the following statements please circle the response indicating your level of agreement with the following statements.

a) <i>Before</i> you began the program	I had a thorough understanding of personal money management.	Agree	Not sure	Disagree
b) <i>After</i> you completed the program	I have a more thorough understanding of personal money management.	Agree	Not sure	Disagree
c) <i>Before</i> you began the program	I was confident that I could make financial decisions in the future.	Agree	Not sure	Disagree
d) <i>After</i> you completed the program	I am confident I can apply what I have learned to make better financial decisions in the future.	Agree	Not sure	Disagree
e) <i>Before</i> you began the program	I had set specific financial goals.	Agree	Not sure	Disagree
f) <i>After</i> you completed the program	I am more likely to set or maintain specific financial goals.	Agree	Not sure	Disagree
g) <i>Before</i> you began the program	I took actions to improve my financial situation.	Agree	Not sure	Disagree
h) <i>After</i> you completed the program	I am more likely to take actions that will improve my financial situation.	Agree	Not sure	Disagree
i) <i>Before</i> you began the program	I thought about my spending, saving and credit before making decisions.	Agree	Not sure	Disagree
j) <i>After</i> you completed the program	I am more likely to think about my spending, saving and credit before making decisions.	Agree	Not sure	Disagree

3. Please list a financial goal that you plan to achieve within the next 3 months. Be specific and include the actions you intend to take to reach the goal. Within three months, I intend to...

To reach my goal I must (list steps in order)...

continued on back side

Assessment instrument

4. Please rate the instructor and overall program by circling the appropriate number.

	1 Not at all helpful	2 Slightly helpful	3 Moderately helpful	4 Very helpful	5 Extremely helpful
a) Instructor(s)	1	2	3	4	5
b) Overall session	1	2	3	4	5

5. How relevant was today's presentation to your personal money management needs?

Not at all relevant	Slightly relevant	Moderately relevant	Very relevant	Extremely relevant
<input type="checkbox"/>				

6. How could this program be improved?

7. What is your age? _____

8. What is your gender?

- Male
 Female

9. What is the highest level of education you have completed?

- Some high school
 High school graduate (or GED)
 Some college
 Associate's degree
 Bachelor's degree
 Post graduate degree

10. What is your current work status?

- Working full-time
 Working part-time
 Not currently working

Please provide your e-mail if TG may follow up with you and provide additional information to help you reach your personal money management goals.

(OPTIONAL) E-mail address _____

We appreciate your help as we evaluate and improve our financial education program.

For administrative purposes:

Module: 1 2 3 4 5 6 7 8 9 10 ____

Date: _____ Location: _____ Instructor: _____

APPENDIX F: SCHOOL TRAINING, ASSISTANCE, AND REVIEW (STAR) PROGRAM SERVICES

Topics on which training, assessment, and intervention or oversight services may be based include:

Institutional Eligibility

- Institutional changes and reporting requirements
- Campus security and awareness disclosures
- Consumer information disclosures
- School and campus eligibility determinations
- Educational program eligibility determinations
- Program integrity and gainful employment rules
- Financial responsibility and administrative capability
- Institutional policies, procedures, and records
- Cohort default rates: default management plans
- Title IV funds payment method requirements
- Provisional certification restrictions
- Third-party servicer arrangements
- Other Program Participation Agreement provisions

Student Eligibility

- Determinations of student eligibility
- Institutional Student Information Records (ISIRs)
- Ability to benefit (including six-credits rule)
- Satisfactory academic progress monitoring
- Enrollment status and attendance records
- Cost of attendance, need analysis, other aid
- Changes and corrections of student data
- Unresolved loan defaults and Pell overpayments
- Prior loan discharges for total/perm disability
- Eligible non-citizens and incarcerated students
- Veterans benefits
- Dual-enrollment and transfer students
- Other student eligibility requirements

Awarding and Disbursing Title IV Program Funds

Verification and related requirements

Professional judgment and dependency overrides

FWS program and timekeeping requirements

Disbursing Title IV funds in clock-hour programs

Title IV credit balance funds for books and supplies

Payment periods and periods of enrollment

Scheduled and borrower-based academic year

Entrance and exit loan counseling

Calculations and disbursements: FDLP, Perkins, Pell, FSEOG, TEACH, ACG, SMART, FWS

Fiscal Requirements

Fiduciary requirements

Bank accounts, fiscal records, audit trail

Excess cash and cash advances

GAPS report and other financial reporting

Matching funds in campus-based programs

Return of Title IV funds and credit balances

Direct Loan (FDLP) reconciliation process

Default Aversion

Program assessments and evaluations

School policies and procedures

Leveraging school resources

Technical assistance and consulting

Default management plans

Exit counseling

Repayment management training for students

Participation and Success Measures

TG's performance-based culture has historically utilized metrics as a way to monitor and manage to successful outcomes. TG commits to working with the Department to create — under the proposed VFA — meaningful success measures that align with stated objectives.



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