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TN Wins Race To The Top Grant

Governor Phil Bredesen announced that Tennessee is one of just two states selected to receive millions of dollars for education in the federal government’s Race to the Top competition. The U.S. Department of Education announced Tennessee and Delaware as the competition’s first round winners.

Tennessee will receive approximately \$500 million to implement its comprehensive school reform plans over the next four years.

“This is a landmark opportunity for Tennessee,” said Bredesen. “Our success in Race to the Top speaks to the commitment we’ve made to meaningful and significant improvement in public education, and the funds provided by the grant will carry us forward in a dramatic and positive direction.”

Tennessee requested \$501 million in its application. As one of the next steps in the process, the U.S. Department of Education will complete negotiations with successful states on their Race to the Top contracts to finalize award amounts.

The \$4.35 billion Race to the Top Fund is an unprecedented federal investment in reform. The program includes \$4 billion for statewide reform grants and \$350 million to support states working together to improve the quality of their assessments. The Race to the Top state competition is designed to reward states that are leading the way in comprehensive, coherent, statewide education reform across four key

areas:

- ◆ Adopting standards and assessments that prepare students to succeed in college and the workplace;
- ◆ Building data systems that measure student growth and success, and inform teachers and principals how to improve instruction;
- ◆ Recruiting, developing, rewarding, and retaining effective teachers and principals, especially where they are needed most; and
- ◆ Turning around their lowest-performing schools.

The peer reviewers awarded the highest scores to Delaware and Tennessee. According to the U.S. Department of Education, they awarded Delaware and Tennessee high marks for the commitment to reform from key stakeholders, including elected officials, teacher’s union leaders, and business leaders. In both states, all school districts committed to implementing Race to the Top reforms.

Delaware and Tennessee also have aggressive plans to improve teacher and principal evaluation, use data to inform instructional decisions, and turn around their lowest-performing schools. In addition, both states have put in place strong laws and policies to support their reform efforts.

Tennessee’s complete Race to the Top proposal can be found on the state Department of Education Web site at www.tn.gov/education.

Changes In TSAC Loan Administration

The Times They Are A-Changin'.....

*Come gather 'round people
Wherever you roam
And admit that the waters
Around you have grown
And accept it that soon
You'll be drenched to the bone.
If your time to you
Is worth savin'
Then you better start swimmin'
Or you'll sink like a stone
For the times they are a-changin'.*

In the words of Bob Dylan, truly we are experiencing changing times.

On Tuesday, March 30, 2010, President Obama signed the Health Care and Education Affordability Reconciliation Act into law. This bill included sweeping changes to the student loan industry, most notably the elimination of new loan originations in the Federal Family Education Loan Program (FFELP) as of July 1, 2010.

Other major provisions of the bill include:

- ◆ Increasing the maximum Pell Grant by the amount of the increase in the Consumer Price Index (from \$5,550 to an estimated \$5,975), beginning in the 2013-2014 award year and ending with the 2017-2018 award year;
- ◆ Funds to eliminate \$13.5 billion of the \$18.5 billion Pell Grant shortfall;
- ◆ Changes to the Income Based Repayment plan (IBR) for new borrowers beginning in 2014 under which borrower payments would not exceed 10% of discretionary income (down from 15% currently) and would be discharged after 20 years (instead of 25);
- ◆ \$50 million to help colleges transition to Direct Loans;
- ◆ Mandatory funding for servicing by not-for-profit servicers (subject to meeting standards for serving federal assets, such servicers would be allocated a minimum of 100,000 accounts);
- ◆ \$2.55 billion for Historically Black Colleges and Universities;
- ◆ \$2 billion for community colleges;
- ◆ Additional funding for College Access Challenge Grants through 2014.

What does this mean for TSAC? We will continue to service the loans that are in our current portfolio until they are paid in full or consolidated into the Direct Loan program. We will continue to work with schools and students in answering their questions and providing a smooth transition to the Direct Loan program.

The TSAC Loan Division, along with the rest of TSAC, has successfully partnered with schools and lenders since 1963. We are working to determine the full impact of changes for our agency and our ability to serve Tennessee students and families. Details regarding the continuing role for guaranty agencies in the new student loan environment remain unclear at this point, but TSAC is working with the U.S. Department of Education to determine how and to what extent we can remain active in providing services to Tennessee students and our school partners.

At the September 2009 TSAC Board meeting, Dr. Rhoda appointed a Board Advisory Committee to assist the Loan Division with identifying possible areas of student financial aid service that the Loan Division could possibly embark upon should the FFEL Program be eliminated by the current Federal Administration. Dr. Rhoda appointed Dr. Claude Pressnell, Marian Huffman, and Fred Johnson to this committee.

State-sponsored programs under TSAC, including the Tennessee Education Lottery Scholarship program and Tennessee Student Assistance Award (TSAA), are not affected under the new legislation. TSAC will continue the various outreach and training programs provided to middle and high schools across the state.

We are exploring opportunities that we hope will enable us to continue providing higher education programs and services to Tennessee students. Please, watch for a survey to be sent to you in the very near future, asking for your input and suggestions. We will keep you up-to-date as this course of action progresses.

Rehabilitation for Defaulted FFELP Loans

As many of you may know, defaulted loan borrowers may rehabilitate their loans to remove the default

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Changes In Loan Administration (cont.)

status on their loans and repair their credit history. They accomplish this by making at least nine consecutive, on-time, voluntary monthly payments.

In the past two years, because of changes in the economy, many of the Rehabilitation lenders were unable to purchase Rehabilitated loans after September 2008. TSAC has recently gone through the state RFP process and a new Rehabilitation lender has been selected. TSAC is in the process of transferring over **4,000** students for a total dollar value in excess of **\$44 million** to the Rehabilitation program. This is wonderful news for many of our defaulted borrowers.

National Financial Literacy Month

Join TSAC in supporting April as National Financial Literacy Month. President Obama has called on Americans to recommit "to teaching ourselves and our children about the basics of financial education." TSAC has accepted the challenge with our latest feature to Dollar Sensei, Computer Based Training (CBT) Modules. The CBT Modules allow students the opportunity to test their knowledge on important everyday money decisions. Your students can use the Internet on their schedule to further their financial education by completing training modules in specified areas of need. Dollar Sensei will help students establish and maintain healthy financial habits. Financial aid administrators can also track students' progress in their financial learning with the customized reporting functions.

Default Management

The TSAC Loan staff continues their focus on Financial Literacy, Default Aversion, and Default Prevention by working closely with colleges and universities to identify ways to limit student loan default. We are also working with schools on their current Cohort Default Rates to determine if there might be processing errors or other changes which when corrected will significantly reduce the school's default rate.

TSAC FFELP Loan Servicer Transition

The TSAC Loan Division has a full-service contract with Nelnet Guarantor Services (NGS). The NGS strategy in becoming more efficient and streamline in its operations will reduce its geographical footprint in Jacksonville, Florida and consolidate its operations into the Aurora, Colorado office.

The TSAC Loan Division staff is monitoring this process very carefully and will be making regular visits over the next few months to Colorado to assure that the quality of work from our servicer continues to meet all standards of the TSAC-NGS contract.

TSAC wants to recognize the efforts and support of the NGS staff in Jacksonville, some of whom have been working with us since the early 1980's, and wish them well as many of them move on to new opportunities. We value their friendship and service to us and hope they will keep in touch.

NOTE: To All TSAC Lender Partners

The Tennessee Student Assistance Corporation's (TSAC) Claims Department is moving from the Jacksonville, FL office to our Aurora, CO office. We are notifying you that effective immediately, all **Status Requests** should be directed to the following contact:

Audrey Gomez
Claims Analyst
Phone: 303.696.3645
Fax: 303.696.3663
Email: Audrey.Gomez@guarantorsolutions.com

The Tennessee Student Assistance Corporation's (TSAC) Claims Department is moving from the Jacksonville, FL office to our Aurora, CO office. We are notifying you that effective immediately, all **Recall Requests** should be directed to the following contact:

Trina Montoya
Claims Analyst
Phone: 303.696.3647
Fax: 303.696.3663
Email: Trina.Montoya@guarantorsolutions.com

TSAC Training Workshop

Eighteen financial aid administrators attended the March 19th workshop. The level of experience of the attendees ranged from a few months to four years. Additional training workshops are planned for later in the year, if you have suggestions for topics, please email them to Darolyn Porter at darolyn.porter@tn.gov.



2010-2011 TSAA (Tennessee Student Assistance Award)

As you are now aware, awards for the TSAA program were not made through the February 15th priority application deadline. The increase in applications processed through the first six weeks of this year increased by an average of 50% from last year. Therefore, awarding stopped on February 12th. However, due to the change in the award structure approved by the Board, TSAC was able to make awards to more students. Also, if an additional \$3.2 million is approved in the Governor's Budget and federal funding is maintained for the program, we anticipate about 3,700 more recipients for the 2010-11 academic year than for 2009-10.

Until funding issues are finalized, we are unable to make additional awards at this time. If you have questions, please contact Naomi Derryberry at naomi.derryberry@tn.gov or (615) 253-7478.



Year End Is Fast Approaching

It is hard to believe that June 30th is fast approaching and it is time to finalize your spring certification rosters. If you have already completed your spring certification, please take time to reconcile all of the TELS and Grant and Scholarship programs for the 2009-2010 academic year.

If you have completed the certification process and have made all the required adjustments, please sign and fax the last page of the Reconciliation Roster for each program to TSAC at (615) 741-6101.

Please note that beginning with the 2010-11 academic year, TSAC will not disburse funds for a term until the signature page of the Reconciliation Roster has been signed and received by TSAC for the prior term. If you have questions about the reconciliation process, please contact the program coordinator for each program.