

THE TEXAS CONNECTION

News Magazine from the Texas Guaranteed Student Loan Corporation

Winter 1994

Texas Guaranteed Student Loan Corporation is facing the challenge of direct lending head on, through internal and statewide efforts designed to improve and sustain the current Federal Family Education Loan Program.

"Direct Lending will serve some needs, but not all," TGS LC President Milton G. Wright said. "We're prepared for FFELP to remain the dominant source of federal loan aid through the end of the century. Therefore, our efforts continue to focus on making this the best program possible.

"While we are not against direct lending, we are definitely 'for' enhancing the FFELP. We think the program is a huge success for Texas and we feel we can make it better. We will not abandon our strong record of

Focus Stays on Students

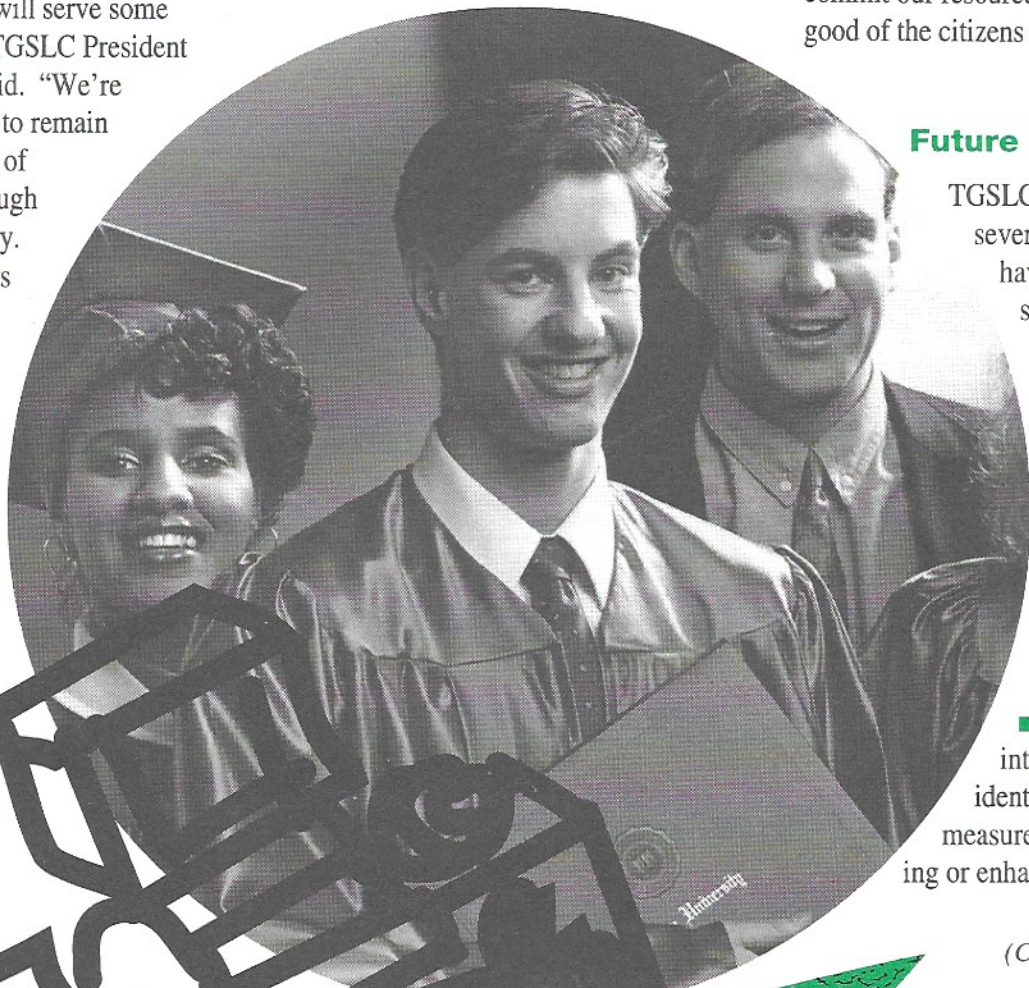
commitment to the FFELP and our clients. We intend to draw from our experience to enhance our services. We won't let our technological expertise, program experience, and personnel talent fade away. Instead, we will commit our resources for the continued good of the citizens of this state."

Future Plans

TGS LC is working on several initiatives which have been taking shape over the fall including:

- forming a task force of industry participants to lower costs and propose significant student service improvements to FFELP
- examining internal operations to identify cost saving measures, while maintaining or enhancing service

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Focus Stays on Students

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- working with the Texas Association of Student Financial Aid Administrators (TASFAA) to develop an assessment tool for the Federal Direct Student Loan Program (FDSLP)
- exploring ways TGS LC can be involved in FDSLP
- realigning resources to fund new initiatives and services

Task Force Formed

TGS LC held a series of meetings with FFELP participants to discuss the ramifications of the Student Loan Reform Act legislation. Several issues were identified and a task force was formed to determine the best way to ensure access for all students and to cope with revenue reducing measures.

The task force is under the direction of the Lender and School Advisory Committees of TGS LC. It has the short term goal of making the current program more efficient and cost effective while improving service.

Discussion centered on those services which are most important to our student customers, including the deferment process and the issue of multiple holders.

“The task force encompasses several viewpoints working toward a single goal. Every person in the group is dedicated to the continuation of the FFELP as a vital resource for Texas,”

Wright said. “We are willing to take a good look at our existing mechanisms and suggest ways to do them better. Our ability to do this type of examination shows our adaptability to the changing marketplace.”

Internal Re-Engineering

A similar examination is taking place within TGS LC as part of a re-engineering effort that is the priority for the corporation this year. Re-engineering is a current buzzword that may evoke shudders and groans, but it is basically a method of looking at a process at a new angle. During industry meetings it was emphasized that we need to go “outside the box” when thinking about the program — to freshen our approach.

One such review currently underway is an examination of the claims review process, how it works and how it could work better. This is the first of many such reviews which will positively affect our customers this year.

School Survey

TGS LC is working with the Texas Association of Student Financial Aid Administrators to develop a mechanism for evaluating the FDSLP in the state.

“In order for us to make the FFELP better, it’s important that we know what schools believe is attractive about FDSLP,” according to Dan Pearson, TGS LC Executive Vice President. “If we can determine what factors schools are using to make their decisions, we can make sure our priorities match.”

The first phase of this project is a survey document for schools, which is currently being developed.

FDSLP Involvement

TGS LC is willing and able to participate in the administration of the FDSLP. “At this point it’s unclear as to what role guarantors might be allowed to play,” Wright said, “but we want to do whatever we can to make the program work smoothly for those schools that participate.”

Discussion at the national level continues as to what state role will be allowed in the FDSLP.

New Initiatives

Any guarantor who wishes not merely to survive — but to thrive — recognizes the need to expand. TGS LC has accelerated our move in this direction by setting budget priorities which recognize the need for the corporation to undertake new initiatives and offer new services. Some of these initiatives are fleshed out, while others are barely in the idea stage. As the year progresses, ideas will be discovered, and discarded, and developed, until a new direction is apparent.

Accommodating Change

TGS LC is not threatened by the changes ahead. It is committed to emerging as a better corporation because of them. “We may not have all the answers yet, but we’re determined to learn them. We’re convinced that the Texas Program will continue to be a leader and a role model for the nation,” Wright said. “The commitment we have received from the industry during the past months has only made our conviction stronger. We look forward to what the new year has in store for all of us.”

Conference *Gears-Up* Professionals for Job Ahead

In a lively exchange of ideas and information, TGSLC's Fall Conference tackled the burning questions raging in higher education finance today. And while it couldn't furnish all the answers, it clearly defined the questions. And in doing so, it brought together industry professionals to share common concerns, tools and philosophical approaches to the changes ahead.

Over 300 guests from across the state attended the 2 1/2 day event at the Stouffer Austin Hotel. TGSLC President Milton G. Wright welcomed guests by defining the conference's theme, "A New Combination." He said, "While our methods and tools change and evolve, the mission remains: removing barriers to higher education." With its financial strength, innovative delivery products, and the geographic population growth of Texas, Wright assured guests TGSLC will remain an industry leader as we enter the 21st century.

The issue of change was engagingly addressed by conference dinner speaker Hattie Hill-Storks, president of her own international management consulting firm specializing in diversity, leadership and team building. Hill-Storks talked about change and the natural inclination to resist it. She outlined the stages of change: from denial, to acceptance, to action.

The general truisms of Hill-Storks were punctuated in an outline of familiar industry-wide issues presented by Claire M. "Micki" Roemer, current national chair of NASFAA. Roemer spoke about the litany of regulations following reauthorization, which she termed "the tunnel at the end of the light." She emphasized that as the regulations are being worked out

between the House and Senate, members of the financial aid industry should get involved by communicating with legislators, using "the five Ss: Keep your message simple, keep it short, keep it specific, be selective in the issues you choose to champion, and keep it student-oriented." Roemer emphasized the need to network and communicate closely among industry peers in order to keep up in today's environment.

In a wry, reassuring tone, Associate Staff Director of the National Advisory Committee on Student Financial Assistance, Deb Schweikert, offered logical explanations and reasons for specific changes in our industry, and the effects they've produced. She, too, stressed the need for close interactive communication among institutions in the industry, to ensure that the left hand knows what the right is doing. She pointed out that the shrillest voices are the ones our legislators hear. With respect to industry changes, she said, "Don't catastrophize. Nothing is disastrous. Nothing is going to happen in the next ten minutes." She pointed out that we've dealt with weighty issues in the past, and we're all still here.

Among the weighty issues clarified in conference sessions were: the 7-month rule; the common application (which TGSLC released in a supplemental instruction cover, calling it the 3-2-1 Application); and, augmented by discussion from Department of Education training officer and direct lending task force associate member Francine Reeves, new insights on where we stand in the new combination of FFELP and direct lending.

In a new twist in format, TGSLC provided separate discussion rooms,

TG operations including claims, compliance, loan guarantee, policy and forms. Guests could discuss in detail the issues affecting their individual operation. One avidly-attended room was equipped with PCs and manned by Information Systems staff to provide hands-on demonstrations of TexNet and the new LINC version 7.0.

The sessions introduced many new TGSLC faces, representing corporate areas clients rarely see. Client Services Manager Kim Alexander said, "We wanted to expose our clients to more of our behind the scenes actors—the people clients only talk to on the phone, or who work invisibly with them on their issues. This conference was more of a corporate-wide effort."

Conference coordinator Aubrey Stelly summed up: "Last year's conference discussed where the changes would occur. This year's conference followed up by talking about how those changes are to be implemented." He added, "We asked our guests to evaluate the conference, and we reviewed those evaluations seriously. We're responding to them now in plans for future training; but any additional observations, insights or suggestions are welcomed."

"A New Combination" gave colleagues an opportunity to compare notes on tasks facing all of us. But the message all of us should have taken home from the conference was best stated by Roemer in her closing remarks: "Don't get caught up in the minutiae." Education finance professionals can become technocrats, she said, or we can be "the first step, the first stop, the first hope, for a new life, a better life. Be a part of it."

Users' Group Agrees TexNet® On Track

In the morning hours preceding the "New Combination" Fall Conference opening, the TexNet® User Group met at the Stouffer Austin Hotel to review TexNet services—electronic tools dedicated to streamlining and unifying the operations of education finance institutions throughout the region.

Users applauded ExpressPC for its On-Line Inquiry service, which allows users access to TGSLC's loan guarantee operations database. An enhancement expected in early 1994 will be an on-line version of TGSLC's Practical Guide to Student Loans.

The group reviewed enhancements to ExpressFunds (TexNet's Electronic Funds Transfer, or EFT, service). One enhancement will soon allow schools to return funds electronically.

Users suggested ways to improve the accuracy, timeliness and effectiveness of borrower tracking. Among these was to make quarterly "congratulations" letters available on an individual basis on the network. Another was to create an on-line form to report changes in borrower address, name, last date of attendance, paid-in-full status and other information to TGSLC.

User Group Co-Chair Pam Unnasch, of Brazos Higher Education Authority, said the success of the meeting lay in the open dialog between users and developers. TexNet consultant Gary Burleson said "From these meetings we can ensure a network that's truly user-serving and user-driven."

** TexNet is a registered trademark and service mark of the Texas Guaranteed*

T GSLC's newest account representative, Cynthia R. Mayberry, packs multiple activities, interests, responsibilities, and customer needs into her schedule—with seemingly effortless grace. It's all part of helping students succeed, which is how Cynthia measures her own success.

Before joining TGSLC, Cynthia served as Assistant Director of Financial Aid at Texas A&I (Now Texas A&M) University - Kingsville. Her positive, personable outlook rubbed off on students and co-workers alike, as it does now with clients in the north and east Texas institutions she serves. "I tend to have a calming effect on people," she says, laughing, "That's why I often dealt with the difficult financial aid cases."

Cynthia got her degree in communication from A&I, then went straight into the MBA program. Thriving on the challenge of multiple duties, she juggled education while building a career and a family—she and her husband have a 4 1/2 year-old daughter whom they include in regular athletic, reading and travel activities.

While in school, she worked in A&I's financial aid office as part of a work-study program which, she says, gave her insight and an "inside track" in the education finance industry.

Cynthia stayed in higher education finance because, she says, "I like helping people through difficult situations." She sees her work with TGSLC as a new challenge—a new perspective on higher education finance, and an opportunity to use her public speaking and communications experience "I like talking to big groups," she says, "The bigger the better." She also looks forward to opportunities to use her Spanish, noting its value in day-to-day communication in her south Texas upbringing.

"I have a lot of common ground with the people in the schools and financial institutions I call on," she says, "I've worked with many of them for years." And since she used the FFELP, Cynthia also has a lot of common ground with student borrowers.

After working one-on-one with students to help them reach their higher education goals, Cynthia says she enjoys the opportunity to work with peer professionals, to share new tools and help work out solutions to shared problems. By doing this, she believes she can help more students succeed. To Cynthia, that's a measure of her success— and one worth striving for.

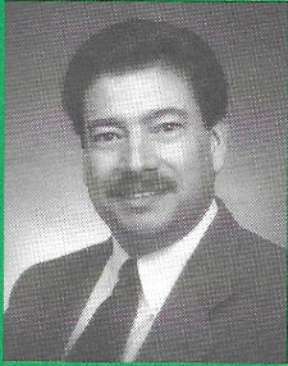
Cynthia Mayberry's Measure of Success



New Talent Across the Board

Rene Gonzalez

San Antonian Rene E. Gonzalez received his bachelor's degree in Business Administration from UT-Austin. He is the Senior Partner in the certified public accounting firm, Garza Gonzalez & Associates.



Gonzalez brings 18 years of experience as a financial analyst. Much of his firm's work is in performing audits for non-profit organizations, schools, government agencies and municipalities. His work also entails examining compliance with governing rules and statutes, and evaluating management, personnel, and performance.

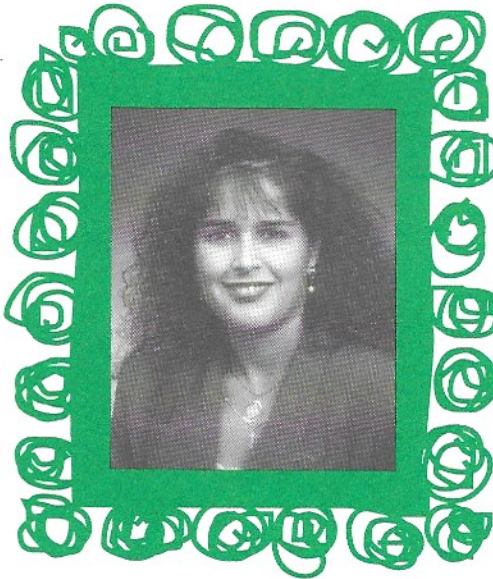
"In serving on the board," Gonzalez says, "I serve San Antonio, and South Texas, to see that education financing is done equitably throughout the entire state. Within the corporation, I'm interested in seeing minority participation set an example for Texas. I want to see historically under-utilized businesses used in our operations to help accomplish the corporation's mission."

On transition in education finance, Gonzalez says, "I don't see TGSLC in the position of competing against the Federal Government. I think we can partner with the government and the Department of Education in the common goal of providing educational financing."

Jen'nan Ghazal

TGSLC's authorizing statutes call for a full-time postsecondary student on its board of directors. Jennifer "Jen'nan" Ghazal will serve that post through January, 1999. This spring, Ghazal will enter her senior year at Midwestern State University in Wichita Falls, majoring in Sociology.

TGSLC's youngest board member is President of the Phi Eta Sigma Honor Society, a member of Alpha Lambda Delta Junior Society and the Association of Social and Behavioral Sciences. She's active in Student Government and its Artist-Lecture Series Committee. She serves as a Student Ambassador and was named outstanding delegate regionally and nationally as a member of MSU's Model League of Arab



States. She also works 20 hours a week in the Registrar's office to help finance her education. All while maintaining a 3.97 GPA!

Ghazal says she believes she was selected to TGSLC's board because of her diverse interests and upbringing. She's lived in Libya, Egypt and Greece, traveled most of western Europe, and speaks fluent Arabic. Growing up in a single parent family, she says, "I've always known I'd have to work hard for everything I got. It gives me a realistic view on student financial needs."

Yvette Clark

"Having gone through the system myself—I borrowed to the max to get where I am—I realize the importance of having the education loan programs available," says R. Yvette Clark, General Counsel for Stephen F. Austin State University and new board member.

Born in San Antonio of Mexican-American parents, she received her bachelor's degree from Yale University, majoring in Latin American Studies and Political Science. She then returned to Texas to earn her law degree from UT Austin, working concurrently as a law clerk for the Texas Attorney General's Office.

After graduating law school, she worked as Assistant General Counsel of the University of North Texas, and Texas College of Osteopathic Medicine, in Fort Worth.

In addition to her background in education law, Clark brings an intimate understanding of the higher education system and a strong belief in "the needs of society to educate students for our future economic and social benefit."

Clark says she'll incorporate her interests in serving the public in general, and Hispanics in particular. She says, "I think there's a whole generation of Hispanic first family-member college students we can reach."



Report Details TGSLC Financial Restoration

Texas Guaranteed Student Loan Corporation recently released a report, *Past, Present and Future, A Financial Perspective*, which details the financial turnaround of the corporation from 1987 to 1993 and shares how it is prepared to deal with the challenge of direct lending.

The report was issued to a wide audience interested in TGSLC including state executive officers, the Texas delegation, credit providers, and associations, such as ATLE, TASFAA and TAPS, representing lenders and schools.

In summary, the report shows how a concerted effort by the TGSLC board of directors and management, in conjunction with student financial aid industry partners, turned the situation around, not only restoring, but strength-

ening, TGSLC's fiscal condition. In FY 1993, the corporation enjoyed new heights in loan volume, a healthy mix of school types in the portfolio mix (80% four-year school volume), a strong reserve level and a record surplus.

This and previous surplus has been invested in consumer-driven technological services such as the automated guarantee, which provides an overnight guarantee on loans, and electronic transfer of funds, which is the fastest and most convenient way for students to receive loan proceeds. We have also invested heavily in the prevention of defaults and our ability to collect on defaults if they occur. Surplus also funds outreach services such as toll-free telephone assistance, free informational materials on loan availability and default prevention and visits to schools.

The strength of this position bodes well for the future of TGSLC as the emphasis slowly shifts from front-end (loan guarantee) to back-end (collection

recovery) revenue sources. This shift is a result of the Federal Direct Student Loan Program with its new rules—which phases in over the next five years, cutting into current loan guarantee levels.

Our projections show that our reserve levels are more than ample to cover expected future claim expenses. Future guarantees will plateau in 1998 at a level consistent with our volume in FY 1993 based on continuing need, increased eligibility and higher loan limits.

The new direct student loan program and financial cuts to the existing program forces guarantors to increase productivity and efficiency. TGSLC has an improving productivity rate that is expected to continue based on management implementation of advanced automation and an aggressive re-engineering and restructuring of our core business processes.

Learning from our past, TGSLC is presently preparing for a future that looks different, yet still bright.



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