JUNE 2015

New Board Member Orientation

Table of Contents

Welcome

Welcome to the TG Board of Directors. TG relies on the leadership of each Board member to help set the direction for the corporation. Your participation informs and shapes our priorities and initiatives.

To assist you in learning more about TG and our plans for the future, we have prepared the enclosed resources. This New Board Member Orientation packet provides an overview of TG's business model, organizational structure, and culture, as well as our Board structure and responsibilities. Additional materials that include relevant TG policies, Code of Business Conduct, and bylaws are housed on a dedicated Board member webpage on *TG Online*, TG's corporate website. These materials can serve as background information for the discussions and decision-making you'll be involved in throughout your tenure as a TG Board member.

We appreciate your commitment to our Board and your efforts to build on TG's history of exemplary customer service and strong financial performance.

Please don't hesitate to reach out if you have any questions.

James Patterson

James Patterson
TG President and CEO

TG Background

Timeline – Origin and History

The following timeline depicts major milestones in TG's history. It begins with the establishment of the program TG was later created to administer, and shows the evolution of TG from a public, nonprofit corporation serving in a narrow governmental space to a company that has the flexibility and capacity to expand into multiple new marketplaces.

1965

Congress enacts the Higher Education Act (HEA), which founded the federal student loan program

1979

The Texas Legislature establishes TG as a quasi-governmental, public nonprofit corporation

- TG receives $1.5 million in seed money
- Governor appoints Board, which includes state comptroller

1981

TG guarantees its first loan under the Guaranteed Student Loan Program (GSLP), later known as the Federal Family Education Loan Program (FFELP)

1995

Texas Legislature grants TG authority to guarantee loans for other states

2001

TG introduces an innovative alternative financing model in collaboration with the U.S. Department of Education (ED) called a Voluntary Flexible Agreement (VFA). Business model outperforms expectations and creates excess resources

2010

The federal government takes student lending in-house. All FFELP originations end. TG continues to administer multi-billion dollar portfolio

2013

TG becomes a nonprofit corporation no longer subject to state oversight

- TG is no longer required to hold open meetings and respond to open records requests
- TG appoints Board members

TG Business Model

Life of the Loan – How We Make Money

As illustrated in the chart below, a Federal Family Education Loan Program (FFELP) loan goes through multiple phases from the point at which the funds are first borrowed until the loan is paid in full. Not every loan goes through each phase; most borrowers repay their debt without experiencing loan delinquency or default.

TG derives FFELP revenue during certain loan phases, as explained in the chart's footnotes.

	Origination	In-School	Repayment[1]	Delinquency[2]	Default[3]	Collections[4]
FFELP Loan Phases	The loan is guaranteed and disbursed. FFELP loan originations ceased effective July 1, 2010.	Payments are generally not due while the student is enrolled at least half time and in a 6-month grace period after exiting school.	The borrower is required to make principal and interest payments. Postponement of payments is permitted under certain circumstances.	Occurs if the borrower falls behind on his or her payments.	Occurs if the borrower's loan is at least 270 days past due.	The guarantor collects on the defaulted loan on behalf of ED through a variety of means.

1 Revenue during this phase comes from an Account Maintenance Fee (AMF) paid by ED in the amount of 0.06% of TG's outstanding portfolio.

2 Revenue during this phase comes from a Default Aversion Fee (DAF), paid by TG's Federal Fund equal to 1% of first-time delinquent loan principal and interest. Subsequent occurrences of loan delinquency are not eligible for DAF; and the fee is refundable if a loan later defaults. DAF revenue continues to greatly diminish as the portfolio matures.

3 ED reimburses TG 95% of default claim payments.

4 Revenue during this phase comes from retention of commissions between 10% (consolidation) and 16% (cash and rehabilitation) of defaulted loan collections.

TG Business Model

Financial Primer

The following orients TG's financial structure and elaborates on TG's monetary assets, audit requirements, and tax exempt status.

Unrestricted Fund consists primarily of the FFELP Operating Fund which reports FFELP operational revenues and expenses. The fund also reports non-FFELP operations.

- Major assets include marketable securities, cash, and facilities
- Liabilities include an allowance for default aversion fees refundable to the Federal Fund upon default and operational accounts payable/accrued liabilities
- Primary revenue is FFELP recovery revenue from ED-paid commissions on the collection of defaulted student loans
- Operating expenses are predominantly labor and operations related

Temporarily Restricted Fund is the FFELP Federal Fund which holds the reserves for guaranteed loan default claims payments to lenders and repayment by ED, as well as default aversion fees paid to the Operating Fund.

- Major assets include marketable securities and cash
- Liabilities consist primarily of an allowance for the roughly 5% of estimated future guaranteed loan default claims which are not repaid by ED. The portion of defaulted loan collections due to ED awaiting settlement is also a liability
- Revenues are marketable security related and the component of default collections permitted to be retained to recover the 5% un-repaid portion of default claims
- Expenses include the provision for changes in the allowance for the un-repaid portion of estimated future guaranteed loan default claims and refundable default aversion fees paid to the Operating Fund

Independent Audit is conducted by KMPG

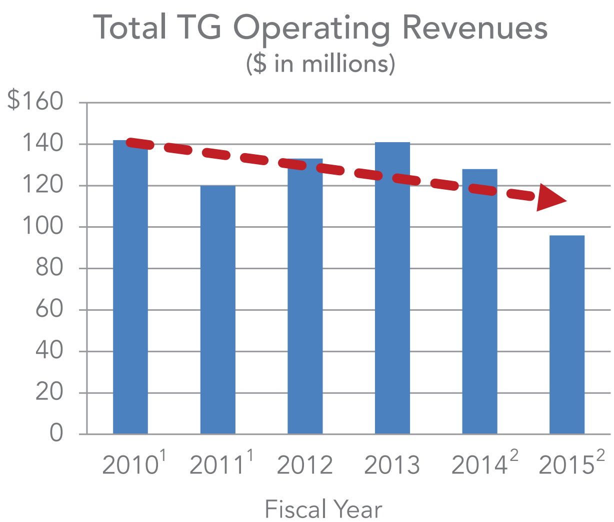
- History of clean financial statement opinions
- History of clean single audit compliance reports
- History of no management letter recommendations for internal control improvements

Tax Exempt 501(c)(3) by virtue of its public support and purpose in serving as a FFELP guarantor

TG Business Model

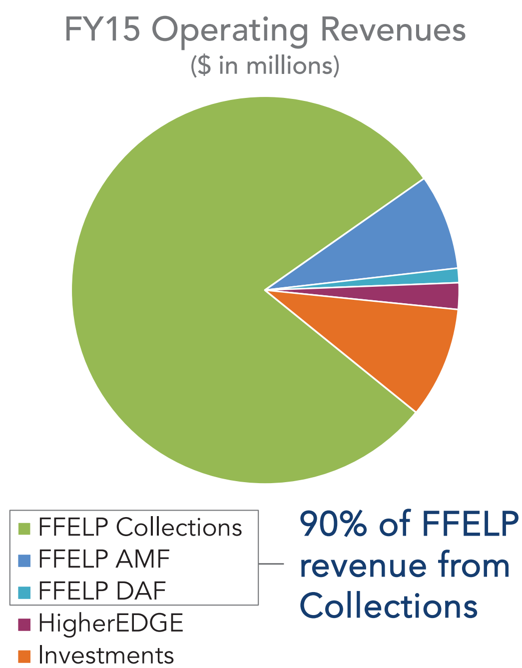
What Are Our Revenue Sources?

TG derives the majority of its annual revenue from its remaining FFELP portfolio. As the portfolio has aged, and based on changes in the FFELP funding model (the discontinuation or reduction of fees paid by ED), TG's revenue has declined. Our strategic plan provides for the launch of several new lines of business that would replace lost revenue due to the FFELP wind down.



[1] FFELP originations and related Loan Processing and Issuance Fee discontinued

[2] Rehabilitation collection rate cut

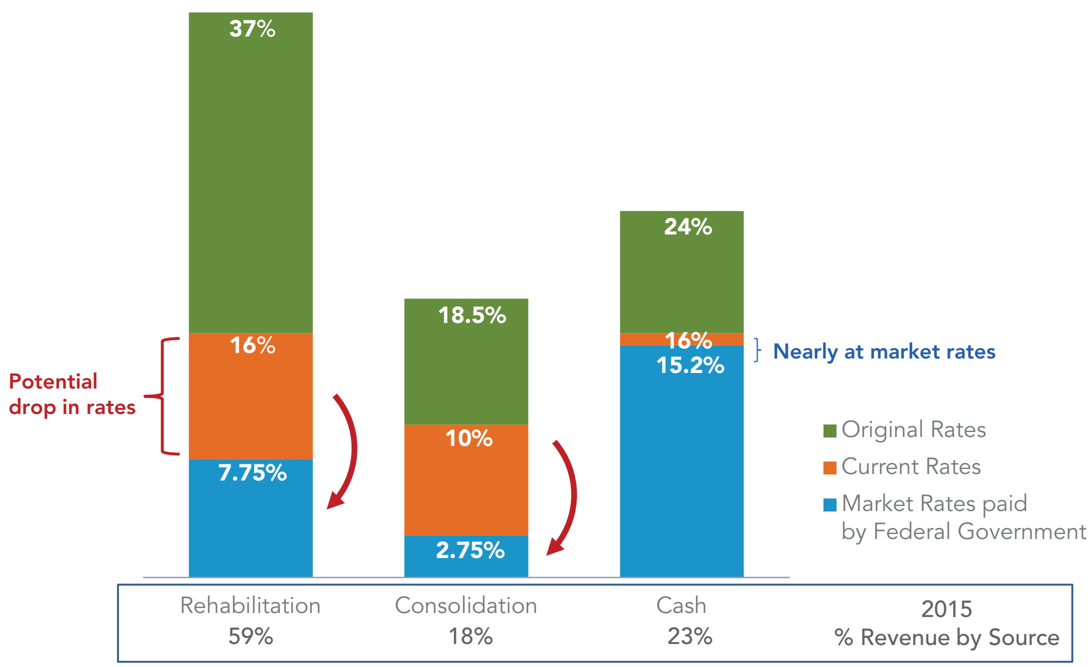


TG's revenue has been in a declining trend since 2010 with the end of FFELP originations. There was temporary collections revenue growth on the residual FFELP portfolio until the rehabilitation rate cut effective July 2014. TG experienced the first full year of that cut in FY15. Currently, 90% of operating revenues earned for services provided come from FFELP collections; if we include investment income, collections represents ~80% of total revenues from all sources.

FFELP Collections Rates

As indicated on the previous page, today, 90% of TG's FFELP revenue for services comes from collections. Given the FFELP's history of reducing rates, it is important and reasonable to anticipate that the federal government may cut guarantors' collections rates down from their current levels (reflected in the orange columns) to the market rates they are paying on their private collection agency contracts (reflected in the blue columns). In other words, the cut to the rehabilitation rate that guarantors experienced in 2014 may not be the last.

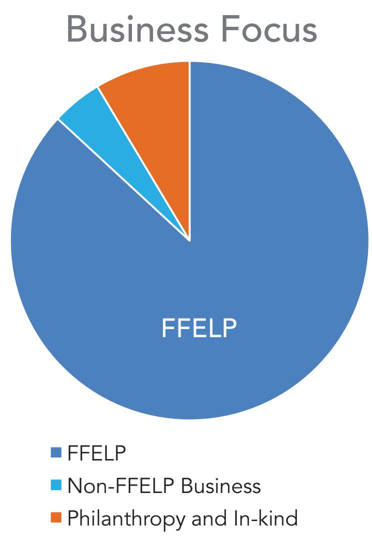
Total TG Collection Revenue Mix

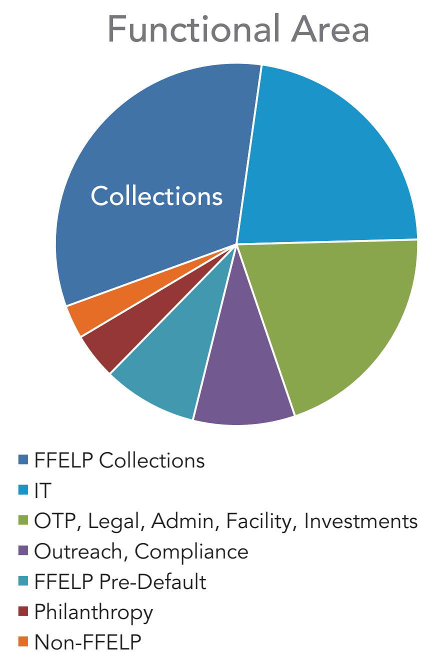


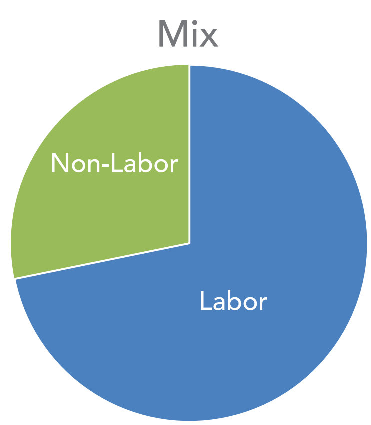
TG Business Model

Where Does the Money Go?

TG's annual spend breakdown is provided below by business focus, functional area, and labor/non-labor mix. Despite declining FFELP revenues, TG maintains a substantial operating margin by streamlining expenses and maintaining a leaner workforce.







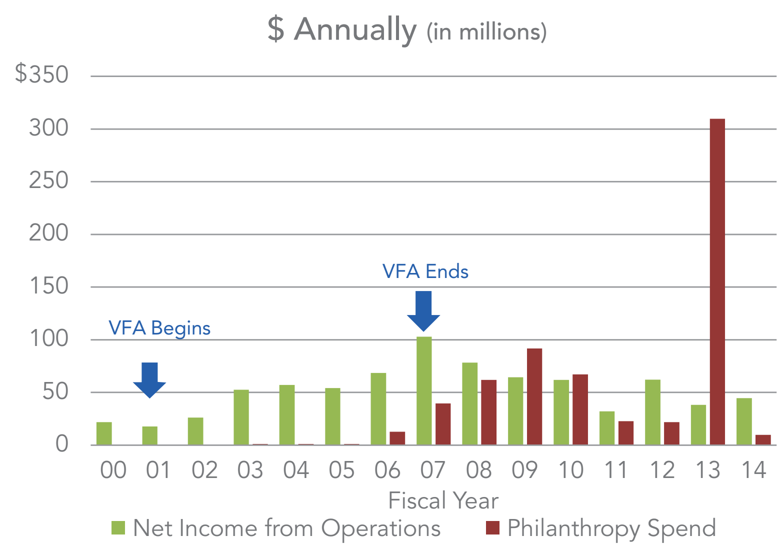
Approximate Headcount	500
Total Spend	$62M

TG Business Model

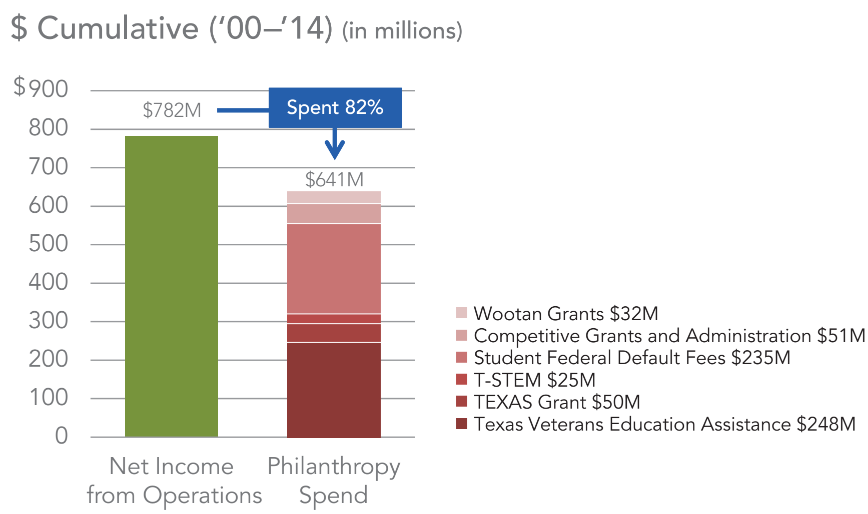
Evolution of Our Philanthropic Giving

In 2001, TG introduced an innovative performance-based alternative financing model approved by ED called a Voluntary Flexible Agreement (VFA). TG's performance under this new model provided TG with increasing amounts of annual net income from operations. Although philanthropic giving is not part of TG's tax-exempt purpose or its history, by 2006, this surplus provided TG with the opportunity to make sizable contributions that benefited students and borrowers, the State of Texas, and numerous nonprofit organizations. As TG's revenues have declined, its philanthropic efforts have adjusted accordingly.

Historical Philanthropy Spend (Direct Dollars Only)



TG's successful performance under its innovative VFA model from 2001 through 2007 created a social dividend opportunity which was the genesis of TG's philanthropic efforts. Over 80% of the cumulative Operating Fund earnings have been contributed to philanthropic purposes. TG's tax exempt status relates to its role as a FFELP loan guarantor.



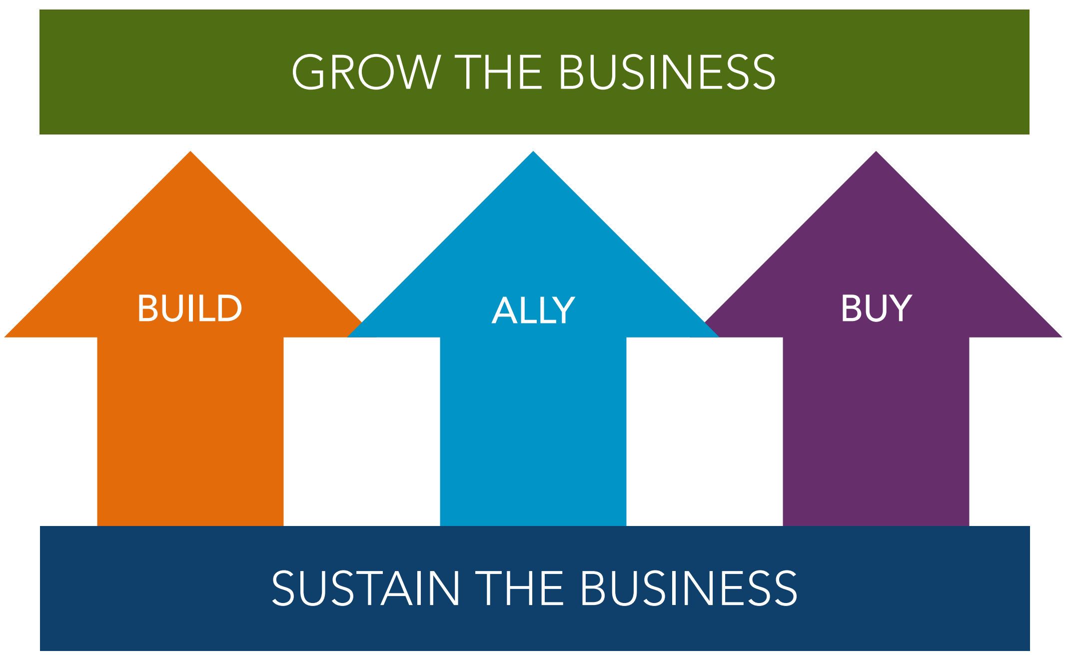
TG Business Model

What's Next for TG?

As TG moves into new markets, we intend to embrace a multi-pronged approach to grow our business. Here are some tactics we plan to employ:

- Diversified vs. "all our eggs in one basket"
- Prudently manage and maximize revenue from our existing FFELP portfolio
- Actively seek new revenue opportunities across the "Build, Ally, Buy" spectrum

This multi-pronged approach to diversifying our business and revenue sources will consider: sustaining our current FFELP revenue by optimizing the portfolio, while we grow new business by leveraging existing capabilities for organic growth and alliances, and seek opportunities through acquisition to accelerate and enhance success.



TG Business Model

What Will We Do?

In assessing which new business lines TG should pursue, recent guidance from the Board has informed our opportunity filters:

- Avoid unsavory or undignified opportunities
  - No payday lending, pawn shops, or similar lines of business

TG has determined that we should "stick to our knitting" to start:

- Leverage core competencies across adjacent spaces
- Explore opportunities in collections, contact centers, and business process outsourcing (BPO)

TG will offer solutions/solve customer problems:

- Allow customers to focus on their core competencies
- Help customers/clients to maximize their cash flows

Our Approach to Identifying Opportunities

The following summarizes TG's philosophy and process in vetting potential revenue streams.

- Identify business verticals relevant to our current core competencies – Collections and Contact Center
- Dimension / Prioritize verticals by considering:
  - No payday lending, pawn shops, or similar lines of business
  - Market size
  - Growth rate
  - Ease of entry
  - Market fragmentation
  - Typical margins earned
- Conduct preliminary interviews within the verticals to support initial assumptions

TG Business Model

Focus of New Business Opportunities

To allow for the multi-pronged approach to growing the business and replacing FFELP net income, TG will execute the following pivot and growth strategy.

	Build[1] (organic growth) – phased process			Ally	Buy[2]
	Seed – Develop GTM and MVP	Validate – Prove	Scale		
Collections	• Software Platform • Sales Staff • Market Strategy: GTM/MVP	• Market Testing • Early Sales	• Marketing and Sales	• Hire alliance managers • Pilot program creation • Proof of concept testing • Joint ventures • Co-marketing relationships • Referral agreements	**Active Mandate** • Enter new vertical(s) • Expand product portfolio or customer base • Acquire unique talent • Be strategically opportunistic **Professional Services** • Investment banking • Valuation / due diligence • Legal
Healthcare	• Specific RCM Software • Hire Founding Team • Sales Staff • Market Strategy: GTM/MVP	• Market Testing • Early Sales • HIPAA Certification (CCO Only)	• Marketing and Sales		
Insurance	• Call Center Software • Hire Founding Team • Sales Staff • Market Strategy: GTM/MVP	• Market Testing • Early Sales	• Marketing and Sales		
Government	• GovWin Software • Sales Staff (initially contractors) • Hire Relationship Manager and Bid Coordinator	• Establish partners • Test value proposition(s)	• Marketing and Sales		

[1] Gating process used on the Build side of the equation, model has been successfully completed.

[2] For Buy, we will present prospective acquisitions to the Board on a deal-by-deal basis.

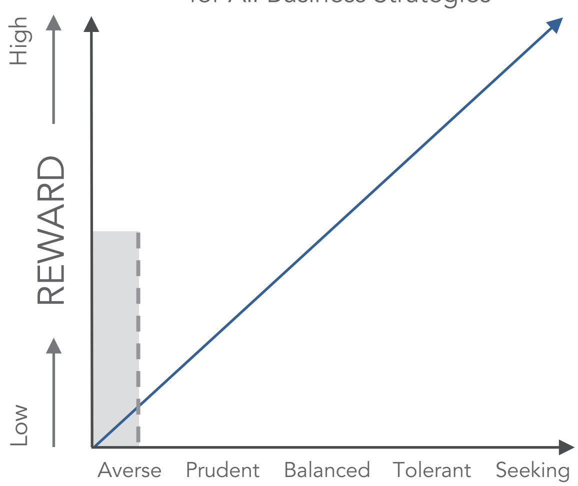
Risk Appetite

TG takes and manages risk to achieve our business objectives. We recognize that we are strengthened as an organization as we learn from our successes as well as our shortfalls. We actively pursue disciplined strategic growth and diversification objectives with a higher risk appetite, reflecting an appropriate risk/reward profile. By prudently managing the risks to our FFELP portfolio we optimize the value, without jeopardizing our objectives.

Going forward we are going to have to increase our risk appetite, and move away from a single (risk averse) appetite, to achieve our objectives. That appetite will be different for optimizing the portfolio (risk prudent), than for pivoting and growing new business revenue (high risk tolerant). This appetite statement will be a guiding light for the organization, top to bottom, for decisions and action.

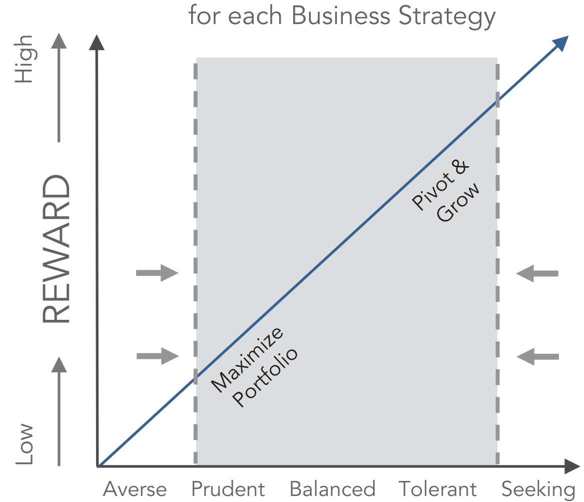
THEN

Risk Averse
for All Business Strategies



NOW

Varied Risk Appetite
for each Business Strategy



Leadership Team

This is a broad view of TG's team structure. This is not an organizational chart, but an overview of the major areas within the company.

Student and Institutional Success

Government Relations

President / CEO
James Patterson

Ombudsman

Internal Audit

Chief Operating Officer
Paul Bedell

- Business Development and Acquisitions
- Collections
- FFELP Operations
- Marketing and Research
- Sales

Chief Human Resources Officer
Mary Negrete

- Human Resources
- Organizational Development
- Payroll
- Corporate Learning

Chief Strategy and Risk Officer
Kara Thompson

- Change Management
- Risk
- Strategy

Chief Ethics Officer and General Counsel
Deanne Varner

- Compliance
- Ethics
- Legal

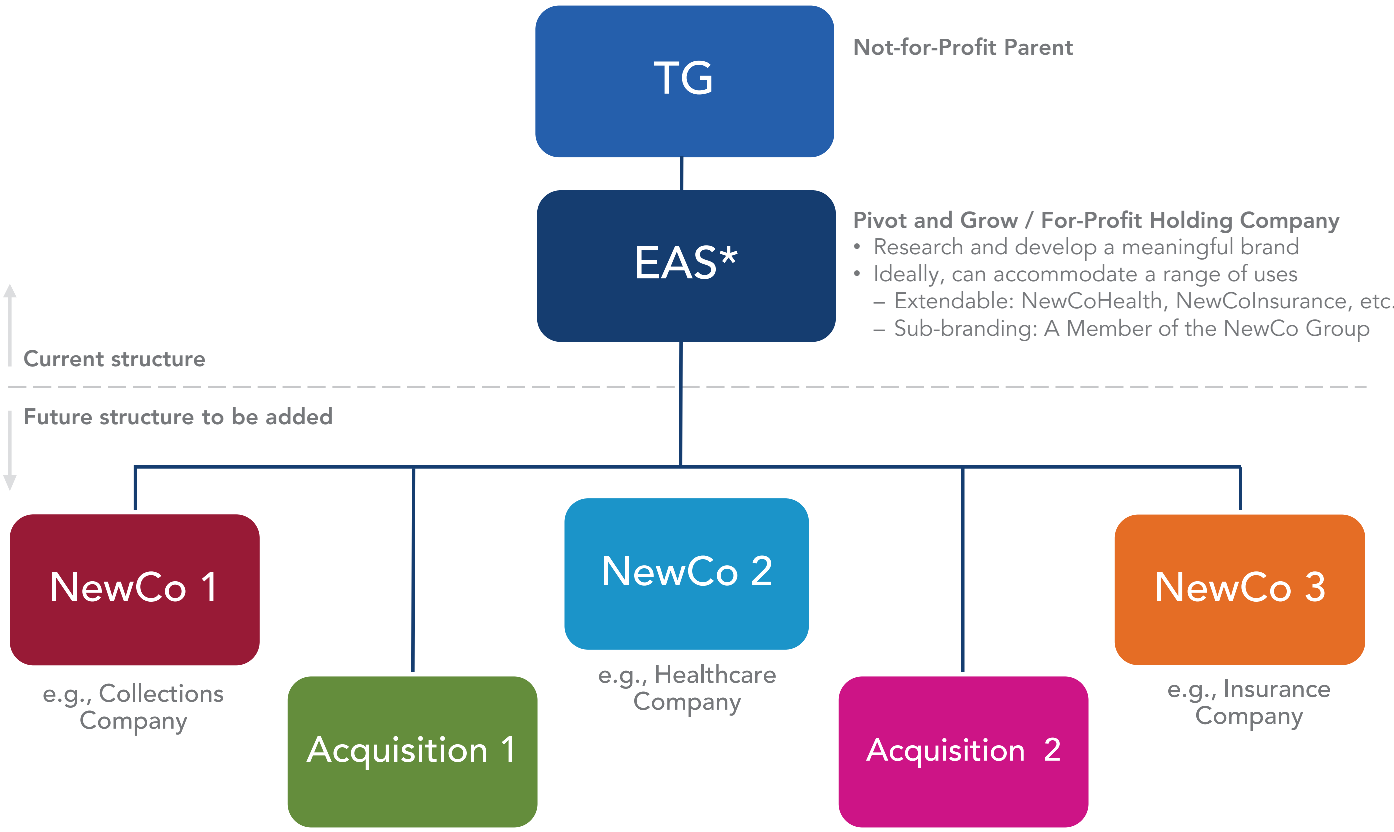
Chief Financial Officer
Mark Zarsky

- Accounting
- Portfolio Management
- Facilities
- Technology
- Procurement
- Records Management

TG Going Forward

Our Evolving Corporate Structure

The following chart illustrates TG's plans for utilizing an existing subsidiary to create a for-profit holding company. This company, which will be rebranded, will be the basis for TG's growth into multiple new lines of business.



*EAS, or **Education Assistance Services, Inc.,** is a now-dormant, wholly-owned subsidiary of TG that will provide the "shell" for our for-profit holding company.

Our Vision

We believe this statement is relevant to everything we do today and will do in the future.

OUR VISION IS THAT PEOPLE RECEIVE TRUSTED GUIDANCE TO MAKE INFORMED DECISIONS AND IMPROVE THEIR LIVES.

Our Values: R^2ISE to the Challenge

These are the core values that our organization will stand for, and because it is our people that represent the organization, we will insist that those we hire and those we retain exhibit these non-negotiable values.

RESPONSIBILITY	Take personal **Responsibility**
RESPECT	Treat people with **Respect**
INTEGRITY	Demonstrate unquestionable **Integrity**
SERVICE	Be of **Service** to others
EXCELLENCE	Commit to **Excellence**

Board Roles, Responsibilities, and Resources

Board Roles, Responsibilities, and Resources

Current TG Board of Directors and Term End Dates

The TG Board is currently composed of nine members. The Board has the discretion to add more if it chooses to do so. There are three officer positions: Chair, Vice Chair, and Secretary. Further, there are several committees within the Board, which include: Executive, Nominating and Governance, Finance and Audit, and Compensation and Benefits.

Board Member	Term ends at Annual Meeting in the year:
Ivan A. Andarza, Board Chair	2017
Yvonne Batts, Vice Chair and Secretary	2016
Dennis Moroney	2017
Dr. Connie Sitterly	2017
Welcome Wilson, Jr.	2017
Edward Escudero	2017
Renard Johnson	2017
Dr. Richard Rhodes	2015
Dora Ann Verde	2015

Click here to view the Policymaking Responsibilities of the Board

Board Roles, Responsibilities, and Resources

Information about the TG Board, Meetings, and Officers

The TG Board consists of nine members, and is self-perpetuating. The Nominating and Governance Committee is responsible to identify, vet, and nominate new directors. Directors are elected to a three-year term unless fulfilling a partial term of another.

- The Board Officers are the Chair and the Vice-Chair. The Corporate Officers are the President Secretary. All are elected by the Board for one-year terms, except the President which has a three-year term. Members are typically elected at the annual meeting, occurring in December each year.
- The Board operates through the following committees that have the authority of the Board: Finance and Audit, Compensation and Benefits, and the Executive Committees. The members and chair of each committee are elected. The Board can create other committees, with or without the authority of the Board, as needed.
- Directors may resign or be removed.
- Directors may legally receive reasonable compensation; however TG's Board consists of volunteer members, who receive reimbursement of expenses, including travel expenses consistent with TG's Travel Policy.
- The Board is required to have an annual meeting in December of each year.
- Board meetings are called from time-to-time, typically quarterly.
- Special meetings may be called by the Board Chair or upon the written request of two board members. Twenty-four hours written notice by telephone, facsimile, or email is required prior to the meeting. Any and all business may be conducted at a special meeting.
- Directors may waive any required notice of meeting, and do so if they participate in a meeting without objection.
- A majority of directors is a quorum. A majority vote of the directors present constitutes an act of the Board, unless a statute or the Bylaws requires a greater number. The Board may act through written consent, signed by at least two-thirds of the directors on most issues.
- Meetings can be held via remote communications including teleconferencing, video-conferencing, or via the Internet. The preference of the Board is that directors attend in person. Board members must attend at least half the meetings in person unless advance permission for additional remote attendance is granted by the Board Chair.

Primary Duties of Directors

Please see **Fiduciary Duty, Principles, and Practices** for additional guidance.

1. **Act as a fiduciary in all things to the Corporation:** The board is human embodiment of the corporation, and its interests come before personal interests. Use due care and loyalty to the corporation in all that you do. Help assure a strong Conflicts of Interest Policy which is observed by all, reserve opportunities for the corporation, and engage in full disclosure. Assure that other fiduciaries do the same.

2. **Be responsible for the CEO:** Actively participate to select, monitor, assist, compensate, direct, motivate and reward the CEO

3. **Be confidential:** It is important not to divulge confidential, privileged or sensitive information of the corporation, except as authorized.

4. **Assure proper use of assets and opportunities:** Make certain that corporate polices and rigor exists in practice around the use of property and facilities of the company for its primary interest and benefit. Review the financial affairs of the company with diligence to assure proper use of funds.

5. **Help create a culture of compliance:** Board oversight and interest in directing compliance matters to assure proper legal and regulatory compliance is extremely important. It is also important to set an example in this regard. Encourage the reporting of any matter reasonably suspected as illegal or unethical. Adopt and monitor the company enforcement of its Code of Conduct and related controls to assure the ethical climate of the company. Act as an example.

6. **Understand the company's business, its mission and activities:** Help make certain that the Corporation is pointed in the right direction and its efforts align with approved strategy. Become and remain educated about what the company does, how it does it and why. Come prepared and informed to Board meetings to add an important voice in governance.

7. **Fulfill oversight responsibilities:** Make certain that you are "independent" in fact and appearance and that you are considering the totality of circumstances and issues that you pass on, monitor govern. Be proactive in the oversight of the company's affairs and bring your experience and knowledge to the table share with other directors and managers.

8. **Assure financial transparency:** Help engage or delegate to a board committee, the retention of an independent auditor to assure proper financial reporting and transparency of financial matters to the Board, work to assure that no benefits personally inure to a covered person, including by approving reasonable compensation or terms of dealing involving such persons.

9. **Help develop strategy, align corporate resources and activities, and assure proper risk management:** Devote time to working with management to help hone the company's strategy and risk management to proper ends. Use best practices in tying efforts, choices, rewards and outcomes to the key strategies and related goals of the company. Assure that you have proper information and the ideas of other key stakeholders and other directors before making final decisions.

Code of Business Conduct

Topical areas include:

- **Our Commitment to Workplace Integrity:** Diversity, good corporate citizenship, following laws related to employment, protecting sensitive data, workplace safety
- **Our Commitment to Customers:** Fair treatment, fair competition, and business practices
- **Our Commitment to Stakeholders:** Fair and accurate financial records; legal and regulatory compliance; protection of assets; protecting records; protecting proprietary and confidential information; observing intellectual property laws and protections; use of technology; avoiding conflicts of interest and rules regarding family; outside business interests; insider trading; dealing with the media and external requests; protecting the environment; supporting the community; integrity in TG's mission and philanthropy; vendor management; *federal government contracting; accurate timekeeping and record keeping; gifts and entertainment to government customers; hiring former government employees; protection of government proprietary and source selection information personal and organizational conflicts of interest.*[1]

  [1] Topics in italics were included in the Code to address requirements that will apply as we seek federal contracts and subcontracts.
- **Sanctions for Violations:** Employees are subject to employee discipline up to and including termination for violations. Board members are subject to the Code and are subject to Board governance processes.
- **Amending and Waiving the Code:** Can only be done by the Board.

TG stresses the core value of Integrity in its Code and urges people to consider ways to make good ethical decisions based on that value. The Code approaches issues from the stance of what to affirmatively do rather than *what not to do* about ethical conduct and considerations. The Code addresses: ethical dilemmas and how to make decisions, how to seek guidance, reporting concerns as a member of the TG community, assurance of non-retaliation for reports in good faith, how to report through the various reporting mechanisms, reporting to any member of management and their duties and responsibilities.

<u>Click here to view the full Code of Business Conduct</u>

Bylaws in Summary

- Are adopted and amended by TG's Board
- Constitute the primary governance document of the corporation, dovetailing with state corporate law
- Primary topical areas include:
  - TG's purpose, which replicates language in its conversion and formation documents filed with the Secretary of State
  - Requirements and factors regarding the Board of Directors
  - Requirements and factors regarding Board meetings, including use of written consents requiring two-thirds assent to approve most types of business, and Board member attendance by electronic means
  - Committees of the Board, both those able and those unable to act with its authority
  - Requirements and considerations regarding officers and corporate officials
  - Provision for, and limitations on, indemnification of present and past directors and officers
  - Operational considerations such as contracting, disbursements of funds, and the creation and maintenance of accurate books and records.
- Board members are responsible to understand and operate under the bylaws of TG. A summary and the actual text of the bylaws are included in written materials that accompany this training. Board members should read and become conversant with the terms and provisions of TG's bylaws.

What are TG's bylaws?

Modern corporate law gives more flexibility to a corporation to decide some of the rules under which the corporation is governed. The bylaws are the key governance rules of a corporation, are adopted by the corporation's board, and reflect some of the choices a Board may make to facilitate governance while assuring oversight. The bylaws and the Texas Business Organizations Code (TBOC) are the primary sources of requirements relating to corporate governance for Texas corporations. TG has very succinct bylaws in comparison to many other companies. The following is a discussion of some key points in the bylaws.

Purpose: Any and all lawful purposes, to administer the guaranteed student loan program as a guarantor; *for charitable, religious, education and scientific purposes under Section 401(c)(3) of the Internal Revenue Code and to make distributions to other organizations qualifying under that IRC section; no private inurement permitted to members, trustees, officers or other private persons, except reasonable compensation for services rendered; no substantial part of the business of the company can be carrying on propaganda or attempting to influence legislation; no activities permitted that are prohibited to corporations exempt from federal income tax under 501(c)(3); all liabilities and obligations of TG will be paid in accordance with its winding up shall be paid, satisfied and discharged upon its dissolution and all property requiring return, returned; any remaining property must be distributed to another 501(c)(3), tax-exempt entity under a plan of distribution adopted under the TBOC under the direction of a district court.*[1]

[1] Italicized summary language is reflective of the required language required in the formation document of a 501(c)(3) entity which is also a public charity (such as TG).

Board Roles, Responsibilities, and Resources

Bylaws in Summary

Board of Directors, Board Meetings, and Officers and Corporate Officials: These bylaw topics are covered in summary under the section of training materials regarding Directors and the roles. It is important to note that the Board of TG, as a nonprofit corporation, can take action on most proposals by the written consent of two-thirds of the Board.

Indemnification: TG indemnifies its past and current officers and directors from certain legal actions brought by third parties, which may include actions based on the director's/officer's own negligence or bad acts. The corporation may advance funds in respective indemnity obligations in advance under certain conditions. The corporation also carries director and officer liability insurance and other forms of indemnity insurance that may protect directors interests, provided that claims are within the scope of coverage of the policy(ies). Coverage under policies of insurance are limited by their written terms.

Operations: Unless otherwise provided, the President may sign on behalf of the company; funds of the corporation shall be disbursed based on actions of the Board and following its policies; otherwise, the President and staff may dispense funds according to the annual budget, the bylaws, or a resolution of the Board. The Board is required to maintain current and accurate books and records at its principal place of business.

Click here to view the full bylaws

Special Statutory and Regulatory Framework

Federal Family Education Loan Program ("FFELP") Statutory and Regulatory Environment:

- Establish the FFELP, preclude discrimination in the program, and provide for appropriations to support the program; provide for the cessation of FFELP loan originations as of June 30, 2010.
- Provide for the basic legal parameters of the establishment and operation of guarantors. Each guarantor must be either a state agency or non-profit; must establish segregated, non-comingled reserve fund (Federal Fund) for loan payment claims. Provide for the establishment of an Operating Fund, also segregated, which is the property of the guarantor, subject to use limitations [application processing, loan disbursement, enrollment and repayment status management, default aversion activities]. Based on opinion of outside counsel TG may invest in its subsidiary operations subject to the prudent investor standard, which is the applicable standard for the investment of the Operating Fund, generally.
- Provide that guarantors are fiduciaries to the federal government under this program; this imposes a higher duty of obligation and care on TG. Guarantors are responsible, along with ED, for the integrity of the program.
- Identify that the primary responsibilities of a guarantor are:
  - Administering the issuance of the guarantee for the Secretary (past)
  - Monitoring insurance commitments made,
  - Conducting default aversion activities,
  - Reviewing of default claims made by lenders,
  - Payment of default claims,
  - Collecting on defaulted loans,
  - Assuring that its internal systems of accounting and auditing are acceptable and reporting to the Secretary,
  - Reporting and collecting data required by the Secretary,
  - Monitoring institutions and lenders participating in the program, and
  - Informational outreach to schools in support of access to higher education, furnishing financial literacy information to borrowers and families.
- Provide for execution of secretarial agreements with guarantors, which in the manner in which certain aspects of guarantor functions are required to be conducted. These contracts are not bid or instituted through a federal acquisition process. TG currently operates under five agreements, five amendments, and one assurance. Rights under these contracts cannot be limited, terminated, or suspended without a due process hearing; however, the Secretary of Education can make certain determinations about the return of the Federal Fund, the need for a management agreement and additional supervision or subrogation (return of administration of loans to the federal government) without such a hearing.

Special Statutory and Regulatory Framework (continued)

- Set forth the requirements of the FFELP and the qualifications of each category of participant, terms of loans and borrowing, terms of repayments and "risk sharing requirements," borrower benefits, borrower payment plans (including those sensitive to the income of borrowers); payments to lenders, obligations of parties and responsibilities within the program; types of loans, programs related to loans, types of forgiveness, and payment assistance.
- Set forth all amounts of guarantor compensation. Guarantors also authorized to enter into performance-based contracts with the Secretary of Education, known as "Voluntary Flexible Agreements." TG has previously had such an agreement; however, all VFAs were cancelled at the end of calendar year 2007.
- The FFELP has a complex system of regulations that determine how each individual function must be performed and how each aspect of the program is administered. TG participates in ED's negotiated rulemaking process in collaboration with other industry stakeholders through its trade association, the National Council of Higher Education Resources. ED also issues written sub-regulatory guidance that is instructive to guarantors.
- Guarantors are not subject to the Fair Debt Collection Practices Act, and are not required to observe state laws, including licensing requirements, when operating as a guarantor.

Special State Law Considerations

- TG's special legal considerations arise under Chapter 57 of the Texas Education Code. TG initially was formed and enabled under this statute as a public, nonprofit corporation, with certain state government characteristics. Chapter 57 was amended, with most provisions repealed, effective September 1, 2013. TG was converted to a standard nonprofit under the amended Chapter on September 3, 2013.
- TG remains as the designated guarantor for the State of Texas, although this has no further practical utility because of the cessation of FFELP originations.
- Although most of the earlier provisions of Chapter 57 were repealed, many of the tools that help TG collect student loans guaranteed by it were retained.
  - The Comptroller may not issue a state warrant to a defaulted borrower, except for compensation as an officer or employee of the state or if the state is a payment agent for a third party;
  - State agencies will cooperate with TG in collecting delinquent student loans and by providing their clients with information on financial aid and default prevention;
  - Texas professional or occupation licenses may be denied to defaulted borrowers.